

Company registered no: 09990469

PARENT ACCOUNTS OF BOBBYS FOODS SOUTH WALES LIMITED.

IB Group Ltd
Annual report
for the year ended 31 December 2019



IB Group Ltd

Contents

| | |
|---|----|
| Board of directors and advisers | 1 |
| Chairman's statement | 2 |
| Consolidated strategic report for the year ended 31 December 2019 | 3 |
| Directors' report for the year ended 31 December 2019 | 7 |
| Independent auditor's report to the members of IB Group Ltd | 9 |
| Consolidated profit and loss account for the year ended 31 December 2019 | 12 |
| Consolidated balance sheet as at 31 December 2019 | 13 |
| Company balance sheet as at 31 December 2019 | 14 |
| Consolidated statement of changes in equity for the year ended 31 December 2019 | 15 |
| Company statement of changes in equity for the year ended 31 December 2019 | 15 |
| Consolidated cash flow statement for the year ended 31 December 2019 | 16 |
| Notes to the financial statements for the year ended 31 December 2019 | 17 |

IB Group Ltd

Board of directors and advisers

Directors

R Rose (Chairman)

W Beedle

S Foster

K Widdrington

Company number

09990469

Registered office

25 Jubilee Drive

Loughborough

Leicestershire

LE11 5TX

Independent auditor

Grant Thornton UK LLP

Chartered Accountants and Statutory Auditors

1 Holly Street

Sheffield

S1 2GT

IB Group Ltd

Chairman's statement

The past year was transitional for IB Group, from both a trading and a structural perspective, with the management team reshaping the business for further profitable growth.

From a trading perspective the group has enhanced its product offering, developed new and exclusive supplier and brand partnerships, reduced reliance on complex supply routes and undifferentiated products. Whilst this has resulted in some controlled sales decline and stock write downs, it has significantly strengthened the underlying base business.

The management team has especially focussed on further enhancing the customer experience. Regular customer surveys have provided valuable insight to support the development of a group-wide investment programme, which has included: new technology to improve service and choice to the Bobby's customers; new systems, processes and branding of the Hancocks Cash & Carry stores; rebranding of the Bonds offering; and major changes to the supply chain, ensuring service optimization of our online businesses and support to the rest of the group. Customer feedback has been extremely positive in respect of these developments.

From a structural perspective, the group's majority shareholder and debt provider have fully supported the business and management team, with a restructuring of the debt providing alignment and significantly improving the financial strength of the group.

Looking into 2020, whilst the confectionery and snacking markets have not been immune to the impact of the global pandemic, we are nonetheless trading well with enhanced profitability. Our supply chains have shown resilience and product flows have not been interrupted. Our online business has done especially well with a very large increase in sales and profits. Bobby's has also traded particularly well with an increase in average spend more than offsetting a small decline in customers trading. The business has proven itself to be extremely resilient and versatile, and will quickly continue to adapt both tactically and strategically to meet customer needs. We are confident that the business will continue to show a healthy financial performance during the remainder of the year

It has been pleasing to see again the level of support shown for the group by its lenders throughout this period, including RBS, who acted quickly to increase the available facilities of the group to draw upon had they been required. In fact we have been seeing enhanced cash generation during the current year and therefore an improved cash / balance sheet position.

Our strategy for volume and profits growth and further cash generation, built around our customer focussed and efficiency plan, is clearly working and gives us much confidence for the future.

Finally, I would like to take the opportunity to thank all IB Group employees for the continued hard work and dedication that underpins all the group does. We are particularly grateful for the extra efforts made by our colleagues and partners across the group in helping us navigate through the challenges Covid forced upon us.

R Rose

Chairman

28 August 2020

IB Group Ltd

Consolidated strategic report for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

The company is a holding company for a specialist grocery and confectionery wholesaler group. The group sells value-added confectionery to all types of retailer through a multi-channel network.

Business review and future developments

The group achieved turnover of £167.2m and recorded a loss before taxation of £14.1m for the year ended 31 December 2019 within which significant non-recurring costs, goodwill amortisation and interest were contributing factors (2018: £173m and a loss before taxation of £11.2m). Trading was also impacted by foreign exchange movements and stock losses from a now discontinued product range.

The group had net assets of £56.0m following a recapitalisation at 31 December 2019 (2018: net liabilities of £9.6m) and net current assets of £5.7m (2018: £2.5m).

Group operating cash flows for the year after taxation and capital expenditure resulted in a £2.6m inflow (2018: £4.7m) inflow. This was used to service interest payments.

For illustrative purposes the directors have presented below an analysis of business activities. This includes earnings before interest, tax, depreciation and amortisation ('EBITDA') for the years ended 31 December 2019 and 2018 after adjustment for non-recurring costs.

| | 2019 £'000 | 2018 £'000 |
|----------------------------------|---------------|---------------|
| Turnover | 167,210 | 172,878 |
| Operating (loss)/profit | (2,109) | 558 |
| Exceptional non-recurring costs* | 1,214 | 2,118 |
| Amortisation and depreciation | 8,390 | 8,539 |
| Adjusted EBITDA | 7,495 | 11,215 |

* 2019 non-recurring costs relate to a VAT ruling and settlement of £0.6m and £0.6m of restructuring and refinancing related fees (2018: £1.4m of professional consultancy, financial review and legal fees in respect of the loan facilities, management and ownership structure together with £0.25m of restructuring costs, a £0.15m bank facility fee and £0.3m of non-recurring debtor and contract provisions).

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. The performance to date has however been extremely robust. Whilst a number of customers have been closed and this has limited the trading activity with those customers, overperformance in other channels has offset that shortfall. This has been coupled with cost management, including the furloughing of a number of employees for a period of time.

The UK's decision to leave the European Union and the uncertainty around the implications of Brexit poses a threat to customer confidence and operating costs. Until clear proposals with regard to the terms of a final exit plan are announced by the UK Government, there is uncertainty about the longer-term implications of Brexit for the economy and the group, albeit the board remain confident the business is well positioned to favourably navigate this uncertainty. The primary risks are uncertainty in UK consumer confidence and the implications of any changes to duty and the ability to freely move goods across borders for supply of goods. The group will continue to maintain an open dialogue regarding the impact of Brexit with key EU suppliers and with its stakeholders to limit the exposure to additional costs and to ensure continuity of supply.

IB Group Ltd

Consolidated strategic report for the year ended 31 December 2019 (continued)

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, operating profit and the adjusted EBITDA disclosed on page 3 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 group's strategy are subject to a number of risks. The key business risks faced by the group are the continuing impact of Covid-19 and the potential impacts of Brexit 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 group's operations expose it to a variety of financial risks that include commodity price risk, foreign currency risk, credit risk, liquidity risk and interest rate cash flow risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring and minimising the levels of risk. Given the size of the group, 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 group'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.

Price risk

The group 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 group utilises appropriate forward foreign currency contracts to mitigate risks associated with changes in rates for foreign currency purchases.

Credit risk

The group 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 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.

IB Group Ltd

Consolidated strategic report for the year ended 31 December 2019 (continued)

The Directors' duties and group 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 as 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 group 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.

Our employees

Employees are essential to the group'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 has 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 group'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 group) and to arrange appropriate training.

The group is committed to involving all employees in the performance and development of the group 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 group.

Business relationships

Customer relationships and high standards of service are key to maintaining and growing the group's business. The group 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 group'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 and agreements in place to incentivise levels of purchases to benefit supplier and the group and the group policy is to consistently meet payment terms. The group has had additional engagement with EU based suppliers to allow for contingency plans and supply as the UK leaves the EU.

IB Group Ltd

Consolidated strategic report for the year ended 31 December 2019 (continued)

Community and environment

The group both promotes and encourages engagement with and employee involvement in community and charitable projects including in respect of strategic partnerships and the ad hoc support of worthy causes.

The group 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 funding is essential to the operation and development of the business. The directors regularly report to the 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,
28 August 2020

IB Group Ltd

Directors' report for the year ended 31 December 2019

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the financial year amounted to £15.2m (2018: loss of £11.7m) with more detail included in the strategic report. The directors do not recommend the payment of a dividend (2018: £nil).

Strategic report

The following items have been included within the strategic report on pages 3 to 6:

- 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

The group continues to invest in the systems at depots, in warehouses and Head Office, to enable it to provide better product ranges, consistent quality, and improved customer service.

Directors

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

R Rose
W Beedle
S Foster
I Bishop (resigned 9 August 2019)
K Widdrington

Going concern

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 agreed new government backed loans of £7.5m, interest payment deferrals and continuation of the existing working capital facility. 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 ended 31 December 2019, the group's forecasts and projections based on the current trends in trading, and after taking account of reasonably possible changes in trading performance, therefore 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.

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 the financial statements.

IB Group Ltd

Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the group and company 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 the group and of the profit or loss of the company and group 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 and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and of the group 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 the group 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 and the group'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 and the group'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 undertakings included in the consolidation taken as a whole; 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 and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the board

Steve Foster

S Foster
Director
28 August 2020

IB Group Ltd

Independent auditor's report to the members of IB Group Ltd

Opinion

We have audited the financial statements of IB Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement 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 group's and of the parent company's affairs as at 31 December 2019 and of the group's 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 group and the parent 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Independent auditor's report to the members of IB Group Ltd (continued)

In our evaluation of the directors' conclusions, we considered the risks associated with the group and parent company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's and parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,¹ 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 consolidated 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 consolidated 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Independent auditor's report to the members of IB Group Ltd (continued)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out in the Directors' report, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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.

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
Date: 28 August 2020

IB Group Ltd

Consolidated profit and loss account for the year ended 31 December 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--------------------------------------|------|------------------|---------------|
| Turnover | 3 | 167,210 | 172,878 |
| Cost of sales | | (124,055) | (127,728) |
| Gross profit | | 43,155 | 45,150 |
| Distribution costs | | (5,905) | (5,440) |
| Administrative expenses | | (39,359) | (39,152) |
| Operating (loss)/profit | 4 | (2,109) | 558 |
| Interest receivable | 7 | 5 | 20 |
| Interest payable and similar charges | 7 | (11,999) | (11,801) |
| Net interest expense | 7 | (11,994) | (11,781) |
| Loss before taxation | | (14,103) | (11,223) |
| Tax on loss | 8 | (1,121) | (482) |
| Loss for the financial year | | (15,224) | (11,705) |

All operations relate to continuing activities.

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 notes on pages 17 to 36 form part of these financial statements.

IB Group Ltd

**Consolidated balance sheet
as at 31 December 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|---|------|-----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 9 | 79,495 | 86,050 |
| Tangible assets | 10 | 8,796 | 9,267 |
| | | 88,291 | 95,317 |
| Current assets | | | |
| Inventories | 12 | 18,245 | 19,200 |
| Debtors | 13 | 15,483 | 17,357 |
| Cash at bank and in hand | | 5,772 | 3,978 |
| | | 39,500 | 40,535 |
| Creditors: amounts falling due within one year | 14 | (33,829) | (38,065) |
| Net current assets | | 5,671 | 2,470 |
| Total assets less current liabilities | | 93,962 | 97,787 |
| Creditors: amounts due after more than one year | 15 | (37,953) | (107,362) |
| Provisions for liabilities | 17 | (5) | - |
| Net assets | | 56,004 | (9,575) |
| Capital and reserves | | | |
| Called up share capital | 18 | - | - |
| Share premium account | 18 | 80,803 | - |
| Retained earnings | | (24,799) | (9,575) |
| Total equity | | 56,004 | (9,575) |

The notes on pages 17 to 36 form part of these financial statements.

These financial statements on pages 12 to 36 were approved by the board of directors on 28 August 2020 and were signed on its behalf by:

Steve Foster

S Foster
Director

IB Group Ltd

Registered number: 09990469

IB Group Ltd

**Company balance sheet
as at 31 December 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 11 | - | - |
| Current assets | | | |
| Debtors: amounts falling due in more than one year | 13 | 80,603 | 51,519 |
| Debtors: amounts falling due in less than one year | 13 | 1,666 | 1,183 |
| Cash at bank and in hand | | - | - |
| | | 82,269 | 52,702 |
| Creditors: amounts falling due within one year | 14 | (122) | - |
| Net current assets | | 82,147 | 52,702 |
| Total assets less current liabilities | | 82,147 | 52,702 |
| Creditors: amounts falling due after more than one year | 15 | (84) | (51,576) |
| Net assets | | 82,063 | 1,126 |
| Capital and reserves | | | |
| Called up share capital | 18 | - | - |
| Share premium account | 18 | 80,803 | - |
| Retained earnings | | 1,260 | 1,126 |
| Total equity | | 82,063 | 1,126 |

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The company recorded a profit for the year of £134,000 (2018: loss of £154,000).

The notes on pages 17 to 36 form part of these financial statements.

These financial statements on pages 12 to 36 were approved by the board of directors on 28 August 2020 and were signed on its behalf by:

Steve Foster

S Foster
Director

IB Group Ltd

**Consolidated statement of changes in equity for the year ended
31 December 2019**

| | Called up share capital | Share premium account | Retained earnings | Total equity |
|---|------------------------------------|--------------------------------------|------------------------------|-------------------------|
| Consolidated | £'000 | £'000 | £'000 | £'000 |
| As at 1 January 2018 | - | 1,600 | 580 | 2,180 |
| Loss for the financial year and total comprehensive expense | - | - | (11,705) | (11,705) |
| On cancellation of shares | - | (1,600) | 1,550 | (50) |
| As at 31 December 2018 and 1 January 2019 | - | - | (9,575) | (9,575) |
| Loss for the financial year and total comprehensive expense | - | - | (15,224) | (15,224) |
| On issue of shares | - | 80,803 | - | 80,803 |
| As at 31 December 2019 | - | 80,803 | (24,799) | 56,004 |

**Company statement of changes in equity for the year ended
31 December 2019**

| | Called up share capital | Share premium account | Retained earnings | Total equity |
|--|------------------------------------|--------------------------------------|------------------------------|-------------------------|
| Company | £'000 | £'000 | £'000 | £'000 |
| As at 1 January 2018 | - | 1,600 | (270) | 1,330 |
| Loss for the financial year and total comprehensive expense | - | - | (154) | (154) |
| On cancellation of shares | - | (1,600) | 1,550 | (50) |
| As at 31 December 2018 and 1 January 2019 | - | - | 1,126 | 1,126 |
| Profit for the financial year and total comprehensive income | - | - | 134 | 134 |
| On issue of shares | - | 80,803 | - | 80,803 |
| As at 31 December 2019 | - | 80,803 | 1,260 | 82,063 |

The notes on pages 17 to 36 form part of these financial statements.

IB Group Ltd

Consolidated cash flow statement for the year ended 31 December 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|----------------|---------------|
| Net cash from operating activities | 22 | 3,762 | 5,933 |
| UK corporation tax received/(paid) | | 76 | (246) |
| | | 3,838 | 5,687 |
| Cash flow from investing activities | | | |
| Interest received | | 5 | 20 |
| Purchase of tangible fixed assets | | (1,136) | (1,105) |
| Purchase of intangible fixed assets | | (319) | (66) |
| Proceeds from disposal of tangible fixed assets | | 94 | 211 |
| Net cash utilised in investing activities | | (1,356) | (940) |
| Financing | | | |
| Interest paid | | (488) | (8,110) |
| Revolving facility (repaid) / advanced | | (200) | 3,000 |
| Net cash utilised by financing activities | | (688) | (5,110) |
| Increase/(decrease) in cash in the financial year | | 1,794 | (363) |

Non-cash movements

The principal non-cash changes were the issue of new shares by capitalization of loans advanced for £80,803,000, amortisation of issue costs within interest payable of £984,000 (2018: £984,000) in the year and £10,500,000 (2018: £4,928,000) of interest rolled up into the loans.

The notes on pages 17 to 36 form part of these financial statements.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019

1 Summary of significant accounting policies and general information

IB Group Limited ("the company") and its subsidiaries (together "the Group") operate a wholesale confectionary through a national network of cash and carry depots, a bulk direct distribution service and online.

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

Statement of compliance

The Group and individual financial statements of IB Group Limited 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" ("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 consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated and separate 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. The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and company 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 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 agreed new government backed loans of £7.5m, interest payment deferrals and continuation of the existing working capital facility.

Notwithstanding the impact of Covid-19 and the loss for the year ended 31 December 2019, the group's forecasts and projections, 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, new banking facilities and related covenants and the directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. 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, included in these financial statements, includes the company's cash flows;
- 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 statements of the group
- The company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 December. All subsidiaries have the same accounting policies as the Company.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change in significant influence respectively. Where control of a subsidiary is lost, the gain or loss on disposal is recognised in the consolidated profit and loss account.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on the transactions.

On 17 March 2016, there was a group reorganisation whereby 100% of the shares in Innovative Bites Ltd were exchanged for all the shares in IB Group Ltd with no change in control and therefore merger accounting was used for this transaction. The investment was recorded in the company's balance sheet at the nominal value of the shares issued.

Foreign currency

The Group financial statements are presented in pound sterling and rounded to thousands. The company's functional currency and presentation currency is pound sterling.

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'.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is amortised through the profit and loss account over its estimated useful economic life reflecting the product range, nature and customer bases acquired. This is considered to be a period of 10 years for the Bonds acquisition made in 2016 and 15 years for the Hancocks acquisition made in 2017.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

Other intangible fixed assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition and the asset is capable of being separately sold or licensed. Intangible assets acquired as part of an acquisition are not recognised where they cannot be sold or realised separately from the trading activity. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

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.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives.

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:

| | |
|---------------------------------------|--|
| Freehold and long leasehold buildings | 50 years or period of the lease if shorter |
| Plant and machinery | 2-10 years |

Freehold land is not depreciated.

Impairment

Intangible and tangible fixed 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.

Investments

Fixed asset investments are shown at cost less any provision for impairment.

Inventories

Inventories 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 inventory.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

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 transaction is measured at the present value of the future payments discounted at a market rate of interest.

Borrowings are initially stated at the fair value of the consideration received after deduction of wholly attributable issue costs. Issue costs are amortised to the profit and loss account over the estimated life of the relevant borrowings.

The group and company do 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 group utilises forward exchange contracts to mitigate the risk of adverse exchange rate movements on foreign currency denominated inventory purchases. The group also utilises interest cap arrangements to manage interest rate exposures. 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 and financing costs 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 year, recognised on delivery to or collection of goods by customers when the significant risk and rewards of ownership have been transferred.

Customer rebates

Customer rebates are recognised as a reduction in the associated sales value based on the customer agreement in place. These rebates are assessed at the year end and held in accruals for the likely settlement costs and these are maintained for an appropriate period in line with industry guidance.

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.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

Distribution costs

The costs of delivery to customers are presented in distribution costs in accordance with the group accounting policies now in place.

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group 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.

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.

The share premium account represents the difference between the called up amount and the nominal value of share capital.

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 group'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 group 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.

2 Critical accounting judgements and estimation uncertainty

The company and group make a 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.

Useful economic lives of tangible and intangible fixed assets

The annual depreciation or amortisation charge for tangible and intangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, market changes, future investments, economic utilisation and the physical condition of the tangible assets.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Critical accounting judgements and estimation uncertainty (continued)

Impairment of intangible assets and goodwill

The group considers whether intangible and tangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable values requires estimation of the recoverable value of the cash generating units (CGU's). Each individual subsidiary is considered to be a separate CGU for the purposes of this review. This requires estimation of future cash flows from the CGU's and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Inventory provision

The group is a national confectionary 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 12 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 has judged that for the periods prior to the transfer of the controlling shares to the loan holder, materially all of the interest in the group remains deductible and within amounts available for group relief.

Complex customer and supplier arrangements

As part of the normal course of business, the group has entered into arrangements with customers whereby retrospective discounts are applied to invoiced sales, based upon the achievement of certain criteria by the group's customers. The criteria behind each agreement can vary and is often dependent upon the sales performance in the customers defined periods. An estimation of the likely amounts to be paid to customers is made at the point of sale and this is reviewed at the end of each reporting period. Amounts are held within accruals for the likely settlement costs and these are maintained for a period of three full years following the year to which the claim relates in line with industry practice.

There are similarly 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.

3 Turnover

| | | |
|---|----------------|----------------|
| Turnover by destination is analysed as follows: | 2019 | 2018 |
| | £'000 | £'000 |
| Within the UK | 158,885 | 163,693 |
| Overseas markets including Republic of Ireland | 8,325 | 9,185 |
| | 167,210 | 172,878 |

All turnover relates to the sale of goods through wholesale distribution.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

4 Operating (loss)/profit

| | | |
|---|---------------|--------------|
| Operating (loss)/profit is stated after charging/(crediting): | 2019 | 2018 |
| | £'000 | £'000 |
| Wages and salaries | 16,412 | 15,633 |
| Social security costs | 1,557 | 1,507 |
| Other pension costs | 531 | 456 |
| Total staff costs | 18,500 | 17,596 |
| Profit on disposal of tangible assets | (3) | (8) |
| Depreciation of tangible assets | 1,516 | 1,624 |
| Amortisation of goodwill | 6,763 | 6,819 |
| Amortisation of other intangible assets | 111 | 96 |
| Operating lease charges – plant and equipment | 726 | 690 |
| Operating lease charges - other | 2,454 | 2,526 |
| Forward contract derivative unrealised (gain)/losses in cost of sales | - | (30) |
| Other foreign exchange losses | 75 | 61 |
| Bad debt expense write offs | 139 | 180 |
| Exceptional VAT settlement and costs | 600 | - |
| Exceptional restructuring and financing related expenses | 606 | 2,118 |
| Fees payable to auditor for the audit of the parent company and consolidated financial statements | 22 | 15 |
| Fees payable to the company's auditor for other services: | | |
| The audit of the Company's subsidiaries | 100 | 90 |
| Other services | - | 11 |
| Tax compliance | - | - |

2019 exceptional and non-recurring costs include £0.6m in respect of a VAT ruling impacting historical sales of specific products and £0.6m of severance and restructuring expenses (2018: £1.4m of professional consultancy, financial review and legal fees in respect of the loan facilities, management and ownership structure together with £0.25m of restructuring costs, a £0.15m bank facility fee and £0.3m of non-recurring debtor and contract provisions).

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 2019. 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 30 January 2020.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Directors' emoluments

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Aggregate directors' remuneration | 603 | 379 |
| Company contributions to money purchase pension scheme | 30 | 11 |
| Compensation for loss of office | 80 | - |
| | 713 | 390 |
| Highest paid director's remuneration | 169 | 117 |
| Company contributions to money purchase pension scheme in respect of highest paid director | 9 | 6 |
| Numbers of directors who are members of money purchase pension scheme | 4 | 2 |

6 Staff numbers

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

| | 2019 Number | 2018 Number |
|-------------------------------|----------------|----------------|
| Management and administration | 152 | 135 |
| Sales and distribution | 499 | 490 |
| | 651 | 625 |

The company has no employees, other than the directors who were paid by a subsidiary company.

7 Net interest expense

| | 2019 £'000 | 2018 £'000 |
|---|-----------------|-----------------|
| Bank interest receivable | - | 1 |
| Other interest receivable | 5 | 19 |
| Interest receivable | 5 | 20 |
| Bank interest payable and similar charges | (10,988) | (10,810) |
| Other loan interest payable | (27) | (7) |
| Amortisation of loan issue costs | (984) | (984) |
| Interest payable and similar charges | (11,999) | (11,801) |
| Net interest expense | (11,994) | (11,781) |

The amortisation of loan issue costs is a non-cash charge together with £10.5m (2018: £4.9m) of the interest payable rolled up into the loan in the year (see note 15).

IB Group Ltd

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**
8 Tax on loss

| | 2019 £'000 | 2018 £'000 |
|---|-----------------------------|-----------------------------|
| Current tax: | | |
| UK corporation tax on loss for the financial year | 500 | 511 |
| Adjustments in respect of prior periods | 509 | (22) |
| Total current tax | 1,009 | 489 |
| Deferred tax: | | |
| Origination and reversal of timing differences | 99 | (34) |
| Adjustments in respect of prior periods | 13 | 27 |
| Total deferred taxation (note 17) | 112 | (7) |
| Total tax on loss | 1,121 | 482 |

The tax charge for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------------|-----------------------------|
| Loss before taxation | (14,103) | (11,223) |
| Loss before taxation multiplied by standard rate of corporation tax in the UK at 19% (2018: 19%) | (2,680) | (2,132) |
| Effects of: | | |
| Goodwill amortisation not deductible | 1,284 | 1,296 |
| Expenditure including interest not deductible for tax purposes | 2,005 | 1,313 |
| Adjustments in respect of prior periods | 522 | 5 |
| Tax rate differences | (10) | - |
| Total tax charge | 1,121 | 482 |

The prior year corporation tax charge arises from a revised interest deduction assessed for the final tax computations.

Reductions to the UK corporation tax rates were included in the Finance Acts 2015 and 2016. These reduced the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. These changes were substantively enacted at the balance sheet date and applied to deferred taxation balances. However, subsequent to the year end, the government confirmed that corporation tax rates would remain at 19% which has no significant impact on the group deferred tax liability of £5,000.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Intangible fixed assets

Group

| | Software costs | Licences and trademarks | Goodwill | Total |
|---------------------------------|----------------|-------------------------|---------------|---------------|
| Cost | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2019 | 308 | 130 | 98,270 | 98,708 |
| Additions | 319 | - | - | 319 |
| At 31 December 2019 | 627 | 130 | 98,270 | 99,027 |
| Accumulated amortisation | | | | |
| At 1 January 2019 | 145 | 60 | 12,453 | 12,658 |
| Charge for the year | 97 | 14 | 6,763 | 6,874 |
| At 31 December 2019 | 242 | 74 | 19,216 | 19,532 |
| Net book value | | | | |
| At 31 December 2019 | 385 | 56 | 79,054 | 79,495 |
| At 31 December 2018 | 163 | 70 | 85,817 | 86,050 |

£6,358,000 of the costs of goodwill relates to the acquisition of Bonds Confectionery Limited and £91,912,000 to the acquisition of Hancocks Topco Limited.

The company has no intangible assets (2018: £nil).

IB Group Ltd

Notes to the financial statements
for the year ended 31 December 2019 (continued)

10 Tangible fixed assets

| Group | Freehold land and buildings £'000 | Leasehold property £'000 | Plant and machinery £'000 | Total £'000 |
|-------------------------------------|--|---|--|------------------------|
| Cost | | | | |
| At 1 January 2019 | 5,433 | 1,152 | 6,767 | 13,352 |
| Additions | - | 8 | 1,128 | 1,136 |
| Disposals | - | | (265) | (265) |
| At 31 December 2019 | 5,433 | 1,160 | 7,630 | 14,223 |
| Accumulated depreciation | | | | |
| At 1 January 2019 | 199 | 148 | 3,738 | 4,085 |
| Charge for the year | 115 | 73 | 1,328 | 1,516 |
| Disposals | - | - | (174) | (174) |
| At 31 December 2019 | 314 | 221 | 4,892 | 5,427 |
| Net book value | | | | |
| At 31 December 2019 | 5,119 | 939 | 2,738 | 8,796 |
| At 31 December 2018 | 5,234 | 1,004 | 3,029 | 9,267 |

The net book value of land included in freehold land and buildings was £1,462,000 (2018: £1,462,000).

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Investments

| Company | | Shares in group undertakings | |
|--------------------------------------|-------------------------------------|------------------------------|-----------------|
| Cost and net book value | | £000 | |
| As at 1 January and 31 December 2019 | | - | |
| Subsidiary undertakings | Principal activity | Class of shares held | % share holding |
| IB Midco Ltd* | Intermediate holding company | Ordinary | 100% |
| Innovative Bites Limited | Confectionery and grocery | Ordinary | 100% |
| Bonds Confectionery Limited | Dormant entity | Ordinary | 100% |
| Confectionery Direct UK Limited | Dormant entity | Ordinary | 100% |
| Hancocks Topco Limited | Intermediate holding company | Ordinary | 100% |
| Hancocks Midco Limited | Intermediate holding company | Ordinary | 100% |
| Hancocks Acquisition Limited | Intermediate holding company | Ordinary | 100% |
| UK Sweets Limited | Confectionery, wholesale and retail | Ordinary | 100% |
| Hancocks Group Holdings Limited | Intermediate holding company | Ordinary | 100% |
| Hancocks Holdings Limited | Management services | Ordinary | 100% |
| Hancock Cash & Carry Limited | Confectionery cash and carry | Ordinary | 100% |
| World of Sweets Limited | Confectionery wholesale | Ordinary | 100% |
| Hubpix Limited | Software development | Ordinary | 100% |
| Bobby's Acquisition Limited | Intermediate holding company | Ordinary | 100% |
| Bobby's Foods Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods Northern Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods Midlands Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods Scotland Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods Southern Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods South Wales Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods North East Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods North West Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods South East Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods North London Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods East Anglia Limited | Wholesale food and confectionery | Ordinary | 100% |
| Bobby's Foods South West Limited | Wholesale food and confectionery | Ordinary | 100% |

* indicates direct holding, all other subsidiaries are held indirectly. The trade of all the regional Bobby's Foods subsidiary companies was transferred into Bobby's Foods Limited during the year.

All the above companies have been consolidated in these financial statements. The companies are all registered in England and Wales with a registered office at 25 Jubilee Drive, Loughborough, Leicestershire, LE11 5TX.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Investments (continued)

The group agrees to guarantee the liabilities of IB Midco Ltd (10733059), Hubpix Limited (11652302), Hancocks Holdings Limited (02884267), Hancocks Acquisition Limited (08267159), Bobby's Foods Midlands Limited (02109449), Bobby's Foods Northern Limited (02761754), Bobby's Foods Scotland Limited (02903661), Bobby's Foods Southern Limited (02109525), Bobby's Foods South Wales Limited (01665621), Bobby's Foods North East Limited (02152610), Bobby's Foods North West Limited (02528998), Bobby's Foods South East Limited (02574323), Bobby's Foods North London Limited (02625569), Bobby's Foods East Anglia Limited (02697888), Bobby's Foods South West Limited (02761768) and UK Sweets Limited (07399891) thereby allowing them to take exemption from having an audit under section 479A of the Companies Act 2006.

12 Inventories

| Group | 2019 £'000 | 2018 £'000 |
|----------------|---------------|---------------|
| Finished goods | 18,245 | 19,200 |

There is no significant difference between the replacement cost of the inventory and its carrying amount. Inventories are stated after provisions for impairment of £184,000 (2018: £663,000).

The company has no inventories (2018: £nil).

13 Debtors

| Group | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Trade debtors | 13,603 | 14,808 |
| Derivative financial instruments (note 16) | - | 147 |
| Corporation tax recoverable | 537 | 536 |
| Deferred taxation asset (see note 17) | - | 107 |
| Other debtors, prepayments and accrued income | 1,343 | 1,759 |
| | 15,483 | 17,357 |

Trade debtors are stated after provisions for impairment of £282,000 (2018: £264,000).

| Company | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Amounts falling due in more than one year: | | |
| Amounts owed by group undertakings (see below) | 80,603 | 51,519 |
| Amounts falling due in less than one year: | | |
| Amounts owed by group undertakings | 1,659 | 1,134 |
| Other debtors | 7 | 49 |
| | 82,269 | 1,183 |

£80,603,000 (2018: £51,519,000) owed by a subsidiary company bears interest at 8.5% over LIBOR which is rolled up and the full amount is repayable on 7 October 2023. Other amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

IB Group Ltd**Notes to the financial statements
for the year ended 31 December 2019 (continued)****14 Creditors: amounts falling due within one year**

| Group | 2019 | 2018 |
|------------------------------------|---------------|--------------|
| | £'000 | £'000 |
| Bank overdrafts (note 15) | 13,600 | 13,800 |
| Trade creditors | 12,692 | 18,228 |
| Other taxation and social security | 1,571 | 2,165 |
| Corporation tax | 1,299 | 213 |
| Other creditors | 297 | 267 |
| Accruals and deferred income | 4,370 | 3,392 |
| | 33,829 | 38,065 |
| <hr/> | | |
| Company | 2019 | 2018 |
| | £'000 | £'000 |
| Trade creditors | 19 | - |
| Amounts owed to group undertakings | 102 | - |
| Accruals and deferred income | 1 | - |
| | 122 | - |
| <hr/> | | |

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

15 Creditors: amounts falling due after more than one year

| Group | 2019 | 2018 |
|---|---------------|----------------|
| | £'000 | £'000 |
| Amounts falling due between one and five years | | |
| Bank loans (see below) | 37,869 | 107,305 |
| Amounts falling due after five years | | |
| Other loans (see below) | 84 | 57 |
| | 37,953 | 107,362 |

The bank loan of £37,869,000 (2018: £110,628,000) is stated net of unamortised issue costs of £2,456,000 (2018: £3,323,000). In September 2018, the loan was split into two tranches with no interest payable for 12 months and then payable quarterly on £55.5m and with interest on the remaining £50.2m changed to a PIK basis and to be rolled up. In December 2019, £80m of the loans were capitalised as additional equity in the company with the remaining liability split between a £20m PIK loan with interest rolled up and £20m senior loan element with interest payable from July 2020.

The loans continue to bear interest at 8.5% over LIBOR with the senior loan repayable in full on 12 April 2022 and the PIK loan on 7 October 2023. There is an interest rate cap in place with interest on £70.5m of the loan capped at 2% for LIBOR until January 2021.

The group's financing facility includes a revolving credit facility of £15,000,000 to cover working capital and liquidity commitments of which £13,600,000 (2018: £13,800,000) was utilised at 31 December 2019. 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 utilised by the subsidiary company Innovative Bites Ltd.

Bank loans and overdraft facilities are secured by fixed and floating charges over the group's assets together with cross guarantees between all group companies with the revolving credit facility holding a priority charge.

| Company | 2019 | 2018 |
|---|-----------|---------------|
| | £'000 | £'000 |
| Amounts falling due after five years | | |
| Other loans (see below) | 84 | 57 |
| Amounts falling due in two to five years | | |
| Other loans (see below) | - | 51,519 |
| | 84 | 51,576 |

The company executed a capital reduction in the year of £1,600,000 in the prior year in respect of the shares held by key management members and the associated share premium account. The shares were cancelled and the holders of these shares were issued with unsecured loan notes which have a redemption value in December 2026 of £1,600,000. The estimated discounted fair value at inception of £50,000 was included in other loans together with interest charged in the year and £1,550,000 was taken to profit and loss reserves (but is non distributable).

As part of amended financing arrangements, a £50.2m tranche of the bank loans noted above were novated to this company in September 2018 with the same interest and repayment terms. This amounted to £51,519,000 including rolled up interest at 31 December 2018. Following the December 2019 capitalisation of £80m of loans, the remaining loans are all held by a subsidiary company.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Financial instruments

| Group Financial assets | 2019 £'000 | 2018 £'000 |
|-------------------------------|-----------------------|-----------------------|
|-------------------------------|-----------------------|-----------------------|

Financial assets measured at amortised cost:

| | | |
|---------------|--------|--------|
| Cash | 5,772 | 3,978 |
| Trade debtors | 13,603 | 14,808 |
| Other debtors | 361 | 191 |

| | | |
|---|---------------|---------------|
| Financial assets measured at fair value | - | 147 |
| | 19,736 | 19,124 |

There is an interest rate cap in place as disclosed in note 15 and the £nil (2018: £117,000) fair value of this derivative (measured at level 2), which reflects the market cost of the instrument based on expected future interest rates, is included in debtors.

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables, at 31 December 2019 these comprised an asset of £nil (2018: asset of £30,000). At 31 December 2019 the outstanding contracts all mature within 6 months of the year end (2018: within 6 months). The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs (level 2). The key assumptions used in valuing the derivatives are the forward exchange rates at the balance sheet date for GBP:EUR and GBP:USD.

| Group Financial liabilities | 2019 £'000 | 2018 £'000 |
|------------------------------------|-----------------------|-----------------------|
|------------------------------------|-----------------------|-----------------------|

Financial liabilities measured at amortised cost

| | | |
|-----------------|---------------|----------------|
| Trade creditors | 12,692 | 18,228 |
| Other creditors | 297 | 267 |
| Accruals | 4,370 | 3,392 |
| Overdrafts | 13,600 | 13,800 |
| Loans | 37,953 | 107,362 |
| | 68,912 | 143,049 |

IB Group Ltd

Notes to the financial statements

for the year ended 31 December 2019 (continued)

17 Provisions for liabilities

| <i>Deferred taxation asset/(liability)</i> | £'000 |
|--|--------------|
| At 1 January 2019 | 107 |
| Profit and loss account (note 8) | (112) |
| At 31 December 2019 | (5) |

The deferred tax asset recognised in the financial statements is as follows:

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Accelerated capital allowances | (22) | 16 |
| Other timing differences | 17 | 91 |
| Deferred tax asset | (5) | 107 |

As at 31 December 2019 the group has an unrecognised deferred tax asset of approximately £600,000 (2018: £600,000) which relates to capital losses on property. The deferred tax asset has not been recognised due to insufficient evidence that the amount will be utilisable in the foreseeable future. Deferred tax has been calculated at 17% (2018: 17%).

The company has no deferred tax asset or liability.

18 Called up share capital

| Group and company | 2019 | 2018 |
|---|-------------|-------------|
| | £ | £ |
| Allotted and fully paid | | |
| 1,457,131 ordinary shares of £0.0001 each | 146 | 146 |
| 10 A ordinary shares of £0.0001 each | - | - |
| 60,713 B ordinary shares of £0.0001 each | 6 | - |
| 108,420 C ordinary shares of £0.0001 each | 11 | - |
| 25,000,000 preferred ordinary shares of £0.0000001 each | 3 | - |
| | 166 | 146 |

In June 2019, 60,713 B ordinary shares of £0.0001 each and 108,420 C ordinary shares of £0.0001 each were issued at par. In December 2019, 25,000,000 preferred ordinary shares of £0.0000001 each were issued at £3.23 each by conversion of loans in order to increase the capitalisation of the company and group resulting in a share premium of £80,803,000.

The A, B and C ordinary shares and the preferred ordinary shares are non-voting and entitled only to a distribution in accordance with the Articles on a return of capital. In particular, the A ordinary shares have rights to the first £1.6m and the preferred ordinary shares to the next £25m.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Capital and other commitments

The group had the following future minimum lease payments under non-cancellable operating leases in respect of property and plant for each of the following periods:

| Payment due date | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Not later than one year | 2,487 | 2,616 |
| Later than one year and not later than five years | 4,522 | 4,845 |
| Later than five years | 4,716 | 5,201 |
| | 11,725 | 12,662 |

The company had no operating lease commitments (2018: £nil). The group and company had capital commitments of £nil at 31 December 2019 (2018: £nil).

20 Contingent liabilities

The company has given cross guarantees in respect of £53.9m (2018: £124.4m) of subsidiary company borrowings.

21 Pension scheme

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

Total pension costs during the year amounted to £531,000 (2018: £456,000). Contributions of £104,000 (2018: £59,000) were included in creditors at 31 December 2019.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2019 (continued)

22 Net cash inflow

Reconciliation of loss for the financial year to net cash inflow from operating activities:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Loss for the financial year | (15,224) | (11,705) |
| Adjustment for: | | |
| Tax on loss | 1,121 | 482 |
| Net interest expense | 11,994 | 11,781 |
| Operating (loss)/profit | (2,109) | 558 |
| Depreciation of tangible fixed assets | 1,516 | 1,624 |
| Amortisation of intangible fixed assets | 6,874 | 6,915 |
| (Profit) on sale of tangible fixed assets | (3) | (8) |
| Working capital movements: | | |
| Decrease/(Increase) in inventories | 955 | (1,517) |
| Decrease in debtors | 1,651 | 1,935 |
| Decrease in creditors | (5,122) | (3,574) |
| Net cash inflow from operating activities | 3,762 | 5,933 |

IB Group Ltd**Notes to the financial statements
for the year ended 31 December 2019 (continued)****23 Reconciliation of net debt**

| | At 1 January 2019 | Cash flow | Non cash changes | At 31 December 2019 |
|---------------------------|----------------------|--------------|---------------------|---------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cash | 3,978 | 1,794 | - | 5,772 |
| Revolving credit facility | (13,800) | 200 | - | (13,600) |
| Bank loans | (107,305) | - | 69,436 | (37,869) |
| Other loans | (57) | - | (27) | (84) |
| Net debt | (117,184) | 1,994 | 69,409 | (45,781) |

The non cash changes comprised an £80.8m capitalization of debt into equity, less £10.5m of interest rolled up and £0.9m amortisation of loan issue costs.

24 Related party transactions, ultimate parent company and controlling parties

The immediate and ultimate parent company as of 31 December 2019 was IB Topco Ltd, registered in England and Wales. Suptor Capital Management Europe Limited manages the interests of the private investing funds, which control the majority of the shares in IB Topco Ltd and which hold the loan notes amounting to £40,235,000 as of 31 December 2019 (2018: £110,028,000). Interest of £10,500,000 (2018: £10,293,000) accrued on these during the year which was all (2018: £4,928,000) rolled up into the loans.

Key management comprises the directors of the company and of the subsidiaries. The compensation of key management for their employee services including pension contributions was £1,074,000 (2018: £945,000).

A fully provided, interest free amount of £1,652,000 had been loaned to and was owed by Mr V Madhu at 31 December 2019 (2018: £1,652,000), a director and the controlling shareholder during the period to 23 April 2018.

Other than the transactions disclosed above other related party transactions were with wholly owned subsidiaries, in accordance with the exemption in FRS102, Section 33.1A, have not been disclosed.

25 Subsequent events

Since 31 December 2019, the spread of Covid-19 has severely impacted many local economies around the globe. The Group has determined that these events are non-adjusting subsequent events.

The impact of Covid-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential impact on the Group at the time of writing. Its effects and principal risks posed to the financial statements are described in the Consolidated strategic report.

Whilst there is still a significant degree of uncertainty, we expect the impact of the temporary lockdown to be managed and the Group is well placed to deal with the associated challenges.