

Company registered no: 04431556

World of Sweets Limited
Annual report for the year ended
31 December 2019



World of Sweets Limited

Contents

| | |
|--|----|
| Board of directors and advisers | 1 |
| Strategic report for the year ended 31 December 2019 | 2 |
| Directors' report for the year ended 31 December 2019 | 4 |
| Independent auditor's report to the members of World of Sweets Limited | 6 |
| Profit and loss account for the year ended 31 December 2019 | 9 |
| Balance sheet as at 31 December 2019 | 10 |
| Statement of changes in equity for the year ended 31 December 2019 | 11 |
| Notes to the financial statements for the year ended 31 December 2019 | 12 |

World of Sweets Limited

Board of directors and advisers

Directors

W Beedle

S Foster

Company number

04431556

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

World of Sweets Limited

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 principal activity of the company is the wholesaling of confectionery products in the United Kingdom.

Business review and future developments

The company achieved sales of £36,163,000 (2018: £35,624,000) and a profit on ordinary activities before taxation of £546,000 (2018: £2,033,000). At 31 December 2019 the company had net assets of £14,431,000 (2018: £13,872,000). During the year the US sourced product activity of a fellow subsidiary company, Innovative Bites Limited, was transferred into the company. The company has plans and aspirations to develop the business through a further widening of the product range, customers and markets.

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 robust. Whilst a number of customers have been closed and this has limited the trading activity with those customers, overperformance in other channels and group companies has offset a degree of 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 company, 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 company 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.

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 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.

World of Sweets Limited

Strategic report for the year ended 31 December 2019 (continued)

Financial risk management

The company's operations expose it to a variety of financial risks that include commodity price risk, credit risk, currency risk, liquidity risk and interest rate 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.

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.

On behalf of the board

Steve Foster

S Foster
Director
28 August 2020

World of Sweets Limited

Directors' report for the year ended 31 December 2019

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

Results and dividends

The profit for the financial year after taxation amounted to £649,000 (2018: £1,722,000). The directors recommend a final dividend payment of £nil (2018: £nil).

Future developments, principal risks and uncertainties and financial risk management are detailed in the strategic report on pages 2 and 3.

Research and development

We continue to invest in the systems, both at our depots and Head Office, to enable us 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:

W Beedle
S Foster

Going concern

The company is party to group financing arrangements including a revolving cash facility.

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 prior 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, 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.

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

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 place during the financial year and also at the date of approval of the financial statements.

World of Sweets Limited

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 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 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 they face.

On behalf of the board

Steve Foster

S Foster
Director
28 August 2020

World of Sweets Limited

Independent auditor's report to the members of World of Sweets Limited

Opinion

We have audited the financial statements of World of Sweets Limited (the 'company') for the year ended 31 December 2019, which comprise profit and loss account, the balance sheet, the 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 2019 and of its profit 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.

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 company'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 company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company 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 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 World of Sweets Limited (continued)

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the 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 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 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.

Independent auditor's report to the members of World of Sweets Limited (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 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.

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

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
Date: 28 August 2020

World of Sweets Limited

**Profit and loss account
for the year ended 31 December 2019**

| | Note | 2019 | 2018 |
|--|-------------|-----------------|--------------|
| | | £'000 | £'000 |
| Turnover | 3 | 36,163 | 35,624 |
| Cost of sales | | (30,599) | (29,660) |
| Gross profit | | 5,564 | 5,964 |
| Distribution costs | | (1,742) | (1,688) |
| Administrative expenses | | (3,275) | (2,243) |
| Operating profit | 4 | 547 | 2,033 |
| Income from shares in group undertakings | 9 | 1,661 | - |
| Amounts written off investments | 9 | (1,662) | - |
| Profit before taxation | | 546 | 2,033 |
| Tax credit/(charge) on profit | 6 | 103 | (311) |
| Profit for the financial year | | 649 | 1,722 |

The notes on pages 12 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.

World of Sweets Limited

**Balance sheet
as at 31 December 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|---|------|----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 7 | 1,597 | 1,952 |
| Tangible assets | 8 | 345 | 163 |
| Investments | 9 | - | 1,662 |
| | | 1,942 | 3,777 |
| Current assets | | | |
| Debtors | 10 | 20,033 | 19,940 |
| Cash at bank and in hand | | 1,228 | 726 |
| | | 21,261 | 20,666 |
| Creditors: amounts falling due within one year | 11 | (8,772) | (10,661) |
| Net current assets | | 12,489 | 10,005 |
| Total assets less current liabilities | | 14,431 | 13,782 |
| Net assets | | 14,431 | 13,782 |
| Capital and reserves | | | |
| Called up share capital | 13 | - | - |
| Retained earnings | | 14,431 | 13,782 |
| Total equity | | 14,431 | 13,782 |

The notes on pages 12 to 24 form part of these financial statements.

These financial statements on pages 9 to 24 were approved by the board of directors on 28 August 2020 and were signed on its behalf by:

Steve Foster

S Foster
Director

World of Sweets Limited

Registered number: 04431556

World of Sweets Limited

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

| | Called up share capital | Retained earnings | Total equity |
|--|--|------------------------------|-------------------------|
| | £'000 | £'000 | £'000 |
| As at 1 January 2018 | - | 12,060 | 12,060 |
| Profit for the financial year and total comprehensive income | - | 1,722 | 1,722 |
| As at 31 December 2018 and 1 January 2019 | - | 13,782 | 13,782 |
| Profit for the financial year and total comprehensive income | - | 649 | 649 |
| As at 31 December 2019 | - | 14,431 | 14,431 |

The notes on pages 12 to 24 form part of these financial statements.

World of Sweets Limited

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

1. Summary of significant accounting policies and general information

World of Sweets Limited has a principal activity of the wholesaling of confectionery products in the United Kingdom.

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 World of Sweets 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 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 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 prior 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, 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. The company therefore continues to adopt the going concern basis in preparing its financial statements.

World of Sweets Limited

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

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

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 statements of the group.

Consolidated financial statements

The company is a wholly owned subsidiary of Hancocks Holdings Limited and of its parent, IB Group Ltd. It is included in the consolidated financial statements of IB Group Ltd which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Foreign currency

The financial statements are presented in the functional currency of 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 and included within the consolidated group.

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 and amortised over the period of expected benefit. This is considered to be a period of 10 years for the JTS Holdings Ltd acquisition made in 2014.

Investments

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

World of Sweets Limited

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

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

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:

| | |
|---------------------|-----------|
| Plant and machinery | 2-5 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.

Operating leases

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

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 asset 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 financial instruments are measured at the fair market value, at the balance sheet date, with the gain or loss arising being recognised within the profit and loss account. The relating asset or liability is included within other debtors or other creditors.

World of Sweets Limited

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

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

Pensions

The company is part of the group 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.

Customer rebates

Customer rebates are recognised in line with the associated sales 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.

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.

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.

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.

World of Sweets Limited

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

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.

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 customer arrangements

As part of the normal course of business, the company has entered into arrangements with customers whereby retrospective discounts are applied to invoiced sales, based upon the achievement of certain criteria by the company'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 this 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 in which the claim relates to in line with industry practice.

3. Turnover

Turnover by destination is analysed as follows:

| | 2019 | 2018 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Within the UK | 32,788 | 32,138 |
| Overseas markets including Republic of Ireland | 3,375 | 3,486 |
| | 36,163 | 35,624 |

All turnover relates to the sale of goods to wholesale customers.

World of Sweets Limited

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

4. Operating profit

Operating profit is stated after charging/(crediting):

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Wages and salaries | 853 | 541 |
| Social security costs | 70 | 57 |
| Other pension costs | 39 | 33 |
| Total staff costs | 962 | 631 |
| Auditor's remuneration for audit (prior year borne by another group company) | 20 | 12 |
| Amortisation of intangible assets | 355 | 355 |
| Depreciation of tangible assets | 222 | 151 |
| Operating lease charges – property | 373 | 120 |
| Operating lease charges – plant & equipment | 76 | 71 |
| Foreign exchange gains | (6) | (39) |
| Bad debt expense/(credit) | 8 | (5) |

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.

The directors' emoluments in 2019 and 2018 were paid by Hancocks Holdings Limited (2018: or by Innovative Bites Limited) 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:

| | 2019 Number | 2018 Number |
|------------|----------------|----------------|
| Management | 2 | 2 |
| Sales | 23 | 15 |
| | 25 | 17 |

World of Sweets Limited

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

6. Tax on profit

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Current tax: | | |
| UK corporation tax on profit for the year | - | 300 |
| Adjustments in respect of prior periods | (110) | - |
| Total current tax | (110) | 300 |
| Deferred tax – origination and reversal of timing differences | | |
| Current year | 12 | 2 |
| Adjustments in respect of prior periods | (5) | 9 |
| Total deferred taxation (note 12) | 7 | 11 |
| Total tax (credit)/charge on profit | (103) | 311 |

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

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Profit before taxation | 546 | 2,033 |
| Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK at 19% (2018: 19%) | 104 | 386 |
| Effects of: | | |
| Expenditure not deductible for tax purposes | 67 | 68 |
| Group relief not paid for | (159) | (152) |
| Adjustments in respect of prior periods | (115) | 9 |
| Total tax (credit)/charge | (103) | 311 |

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 deferred tax asset of £26,000.

World of Sweets Limited

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**
7. Intangible assets

| | Goodwill |
|--|-----------------|
| | £'000 |
| Cost | |
| As at 1 January 2019 and at 31 December 2019 | 3,550 |
| Accumulated amortisation | |
| At 1 January 2019 | 1,598 |
| Charge for the year | 355 |
| At 31 December 2019 | 1,953 |
| Net book amount | |
| At 31 December 2019 | 1,597 |
| At 31 December 2018 | 1,952 |

This purchased goodwill relates to the difference between the total consideration paid and the net book value of the assets arising on the transfer of the trade and assets of JTS (International) Limited to the company in 2014.

World of Sweets Limited

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**
8. Tangible assets

| | Plant and machinery £'000 | Leasehold improvements £'000 | Total £'000 |
|--|--|---|------------------------|
| Cost | | | |
| At 1 January 2019 | 1,777 | - | 1,777 |
| Additions | 206 | - | 206 |
| Transferred from a fellow subsidiary undertaking | 626 | 49 | 675 |
| At 31 December 2019 | 2,609 | 49 | 2,658 |
| Accumulated depreciation | | | |
| At 1 January 2019 | 1,614 | - | 1,614 |
| Transferred from a fellow subsidiary undertaking | 458 | 19 | 477 |
| Charge for the year | 219 | 3 | 222 |
| At 31 December 2019 | 2,291 | 22 | 2,313 |
| Net book value | | | |
| At 31 December 2019 | 318 | 27 | 345 |
| At 31 December 2018 | 163 | - | 163 |

The trade and assets of the US sourced product activity of a fellow subsidiary company, Innovative Bites Limited, were transferred into the company during the year for a consideration equal to the net book value transferred. Acquisition accounting principles have been applied in the company with trading therefore included in the company's own profit and loss account from the date of transfer.

World of Sweets Limited

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

9. Investments

| | Investment in subsidiary undertakings £'000 |
|---------------------------------|--|
| Cost and net book value | |
| At 1 January 2019 | 1,662 |
| Amounts written off in the year | (1,662) |
| At 31 December 2019 | - |

Both former dormant subsidiaries, JTS Holdings Limited and JTS (International) Limited, were wound up in the year and dissolved in December 2019. The remaining net assets comprising intercompany balances were distributed to World of Sweets and the investment written down to nil.

10. Debtors

| | 2019 £'000 | 2018 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 6,419 | 5,500 |
| Amounts owed by group undertakings | 13,572 | 14,386 |
| Other debtors | 9 | 14 |
| Deferred tax asset (note 12) | 26 | 33 |
| Prepayments and accrued income | 7 | 7 |
| | 20,033 | 19,940 |

Amounts owed by and to group undertakings are unsecured, interest free and are repayable on demand. Trade debtors are stated after provisions for impairment of £37,000 (2018: £19,000).

World of Sweets Limited

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

11. Creditors: amounts falling due within one year

| | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 88 | 7 |
| Amounts owed to group undertakings | 7,270 | 9,684 |
| Corporation tax payable | 190 | 300 |
| Other creditors | - | 3 |
| Accruals and deferred income | 1,224 | 667 |
| | 8,772 | 10,661 |

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

The company's financing facility includes a revolving credit facility of £15,000,000 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 intercompany members, Innovative Bites Limited and Hancock Cash & Carry Limited. Bank borrowings were secured by fixed and floating charges over the group assets together with cross guarantees between all group companies.

12. Deferred taxation

| | £'000 |
|---|--------------|
| Deferred tax asset at 1 January 2019 | 33 |
| Charged to profit and loss account (note 6) | (7) |
| Deferred tax asset at 31 December 2019 | 26 |

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Being | | |
| Accelerated capital allowances | 26 | 33 |
| Deferred tax asset | 26 | 33 |

World of Sweets Limited

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

13. Called up share capital

| | 2019 | 2018 |
|----------------------------------|------|------|
| | £ | £ |
| 1 (2018: 1) ordinary share of £1 | 1 | 1 |

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

14. Capital and other commitments

The company had no future minimum lease payments under non-cancellable operating leases nor capital commitments (2018: none).

15. Contingent liabilities

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

16. Pension scheme

The company is part of a group defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £39,000 (2018: £33,000). There were no prepaid or accrued contributions at the beginning or end of the year.

17. Ultimate parent company and controlling parties

The immediate parent company is Hancocks Holdings Limited and the ultimate parent company as of 31 December 2019 was IB Topco Ltd, registered in England and Wales.

Copies of the financial statements of IB Group Ltd, which is the only parent group company to prepare consolidated financial statements at 31 December 2019, 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.

18. Subsequent events

Since 31 December 2019, the spread of Covid-19 has severely impacted many local economies around the globe. The Company 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 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.

World of Sweets Limited

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

19. Business combinations

On 20 July 2019, a fellow group company transferred elements of the trade and assets relating to part of Innovative Bites Ltd to the company. This consisted of certain tangible fixed assets, stocks, debtors and creditors. The assets and liabilities were transferred at their carrying value through the intercompany account, as such there was no goodwill arising from the transaction.

The following summarises the carrying value of assets acquired, liabilities assumed at the transfer date:

| | Book values |
|--------------------------------------|--------------|
| | £'000 |
| Property, plant and equipment | 197 |
| Inventory | 2,401 |
| Trade and other debtors | 486 |
| Trade and other creditors | (568) |
| Total identifiable net assets | 2,516 |