

PARENT ACCOUNTS OF HANCOCKS GROUP HOLDINGS LIMITED

Company registered no: 09990469

IB Group Ltd

Annual report for the year ended 31

December 2018

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IB Group Ltd

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IB Group Ltd

Board of directors and advisers

Directors

R Rose (Chairman)

W Beedle

S Foster

I Bishop

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

Following on from my statement of last year, I am pleased to be able to re-affirm my belief that IB Group has a great opportunity to further establish itself as the market leader in the distribution of confectionery and snacks, with an unparalleled network of customers and a unique range of delivery to market.

There is no doubt that it has been another challenging year, with the continued uncertainty over Brexit and the accompanying fluctuation in exchange rates impacting on our imports. During the year we also continued to incur relatively significant restructuring costs as a result of merging our operating companies. Despite these factors the business has continued to capture new growth opportunities, helped by a strengthening of the senior management team, having secured significant exclusive distribution deals into the UK.

Both of these factors support the underlying strategy of delivering a service led business with unique integration into the independent customer and supplier base, delivering pioneering and differentiated brands to the market.

I am also pleased to be able to say that we have continued to receive excellent support from our lenders Och-Ziff and RBS, both of whom are fully behind our exciting strategy.

Finally, I would like to take the opportunity to thank all IB Group employees for their contribution during the year, without which of course none of our future plans would be possible.

With an eye to the future, the Board is focused on supporting management's strategic execution. The implementation will deliver a service led business with unparalleled integration into the independent customer and supplier base. It will use technology and service to put itself at the heart of the customer's business and the customers at the heart of our business, becoming a trusted product expert, bringing pioneering and differentiated brands to the entire market.

R Rose
Chairman
30 April 2019

IB Group Ltd

Strategic report for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

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. The group wholesales confectionery through a national network of cash and carry and distribution depots, a bulk direct distribution service and online.

Business review and future developments

In April 2017 the group acquired Hancocks Topco Limited and the enlarged group utilises a debt facility which provided the acquisition finance and working capital for all its trading subsidiaries. The group has plans and aspirations to develop the business through a consolidation of the product range, customers and markets including increased geographical coverage from new depot openings and selected acquisition opportunities. In October 2018, the Group acquired the Hubplx trade and assets from Shop Boss Ltd. The business uses self-developed intelligent software to link brands with retailers and fits perfectly with the strategy of integration into independent customers and suppliers.

The group achieved turnover of £172.9m and recorded a loss before taxation of £11.2m for the year ended 31 December 2018 as a result of significant non-recurring costs, goodwill amortisation and interest (2017: £149m and a loss before taxation of £7.0m). Trading was also impacted by foreign exchange movements and increased product costs.

The group had net liabilities of £9.6m at 31 December 2018 (2017: net assets of £2.2m) and net current assets of £2.5m (2017: £0.7m). The net liabilities reflect a term shareholder loan split into two tranches with no interest payable for 12 months from October 2018 and then payable quarterly on £55.5m and with interest on the remaining £50.2m to be rolled up.

Group operating cash flows for the year after taxation and capital expenditure resulted in a £4.7m inflow (2017: £3.8m) 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 2018 and 2017 after adjustment for non-recurring costs.

	2018 £'000	2017 £'000
Turnover (12 months)	172,878	149,093
Operating profit	558	1,217
Exceptional non-recurring fees and costs*	2,118	2,632
Amortisation and depreciation	8,539	6,426
Adjusted EBITDA	11,215	10,275

* 2018 non recurring costs relate to £1.4m of professional consultancy, financial review and legal fees in respect of the loan facilities, management and ownership structure (2017: £1.8m) together with £0.25m of restructuring costs, a £0.15m bank facility fee and £0.3m of non-recurring debtor and contract provisions (2017: £0.3m of restructuring costs, £0.4m revolving bank facility fee and £0.15m provision against loans).

Although we expect the marketplace to be as competitive as ever, we believe we will improve our current level of performance in the foreseeable future by managing costs, delivering competitive pricing, a multichannel offering and an extensive product range provided by our excellent sourcing arrangements.

IB Group Ltd

Strategic report for the year ended 31 December 2018 (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 risk faced by the group is the increasing level of competition from local and national wholesalers and retailers, which is managed by the continued development of the product ranges and customer service. I.T. systems risk is managed by ongoing improvement to and maintenance of I.T. systems. Retention of key personnel is managed by appropriate incentivisation. In respect of the uncertainties arising from 'Brexit', the company has engaged extensively with its EU suppliers to ensure that there are no issues with supply should any potential barriers to trade come into force.

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 exposed to a degree of commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of managing the exposure to commodity price risk exceeds any potential benefits.

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.

On behalf of the board



S Foster
Director
30 April 2019

IB Group Ltd

Directors' report for the year ended 31 December 2018

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the financial year amounted to £11.7m (2017: loss of £6.7m) with more detail included in the strategic report. The directors do not recommend the payment of a dividend (2017: £nil).

Future developments, principal risks and uncertainties and financial risk management are detailed in the strategic report on pages 3 and 4.

Research and development

The group continues to invest in the systems at depots, in our warehouse 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:

R Rose (appointed 29 October 2018)
W Beedle (appointed 23 April 2018)
S Foster (appointed 23 April 2018)
I Bishop (appointed 13 November 2018)
K Widdrington (appointed 13 November 2018)
V Madhu (resigned 23 April 2018)
N Madhu (resigned 23 April 2018)

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 larger group following the acquisition of the Hancocks Group by Innovative Bites Limited in 2017. The loan holders now also control the majority shareholding in the group. 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 to be rolled up, significantly increasing the cash resources for working capital and investment in the business.

Notwithstanding the loss for the year and net liabilities, the group's forecasts and projections, 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 and the directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

Disabled persons

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. Currently no registered disabled persons are employed by the group.

Employees

The group is committed to involving all employees in the performance and development of the group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting the day to day operations of the group.

IB Group Ltd

Directors' report for the year ended 31 December 2018 (continued)

Qualifying third party indemnity provision

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

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 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 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.

Independent auditor

A resolution to reappoint Grant Thornton UK LLP as auditor to the company will be proposed at the annual general meeting.

On behalf of the board

S Foster

Director

30 April 2019

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 2018 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 the 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 2018 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.

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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

IB Group Ltd

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

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 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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

30 April 2019

IB Group Ltd

Consolidated profit and loss account for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	172,878	149,093
Cost of sales		(127,728)	(111,208)
Gross profit		45,150	37,885
Distribution costs		(5,440)	(3,773)
Administrative expenses		(39,152)	(32,895)
Operating profit and profit before interest and taxation	4	558	1,217
Interest receivable	7	20	1
Interest payable and similar charges	7	(11,801)	(8,198)
Net interest expense	7	(11,781)	(8,197)
Loss before taxation		(11,223)	(6,980)
Tax on loss	8	(482)	318
Loss for the financial year		(11,705)	(6,662)

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 14 to 34 form part of these financial statements.

IB Group Ltd

Consolidated balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	9	86,050	92,899
Tangible assets	10	9,267	9,989
		95,317	102,888
Current assets			
Inventories	12	19,200	17,683
Debtors	13	17,357	20,220
Cash at bank and in hand		3,978	4,341
		40,535	42,244
Creditors: amounts falling due within one year	14	(38,065)	(41,524)
Net current assets		2,470	720
Total assets less current liabilities		97,787	103,608
Creditors: amounts due after more than one year	15	(107,362)	(101,428)
Net assets		(9,575)	2,180
Capital and reserves			
Called up share capital	18	-	-
Share premium account	18	-	1,600
Retained earnings		(9,575)	580
Total equity		(9,575)	2,180

The notes on pages 14 to 34 form part of these financial statements.

These financial statements on pages 9 to 34 were approved by the board of directors on 30 April 2019 and were signed on its behalf by:



S Foster
Director

IB Group Ltd

Registered number: 09990469

IB Group Ltd

Company balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments	11	-	-
Current assets			
Debtors	13	1,183	1,329
Cash at bank and in hand		-	1
		1,183	1,330
Creditors: amounts falling due within one year	14	-	-
Net current assets		1,183	1,330
Total assets less current liabilities		1,183	1,330
Creditors: amounts falling due after more than one year	15	(57)	-
Net assets		1,126	1,330
Capital and reserves			
Called up share capital	18	-	-
Share premium account	18	-	1,600
Retained earnings		1,126	(270)
Total equity		1,126	1,330

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 incurred a loss for the year of £154,000 (2017: £50,000).

The notes on pages 14 to 34 form part of these financial statements.

These financial statements on pages 9 to 34 were approved by the board of directors on 30 April 2019 and were signed on its behalf by:



S Foster
Director

IB Group Ltd

Consolidated statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Share premium account	Retained earnings	Total equity
Consolidated	£'000	£'000	£'000	£'000
As at 1 January 2017	-	-	7,242	7,242
Loss for the financial year and total comprehensive expense	-	-	(6,662)	(6,662)
On issue of shares	-	1,600	-	1,600
As at 31 December 2017 and 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	-	-	(9,575)	(9,575)

Company statement of changes in equity for the year ended 31 December 2017

	Called up share capital	Share premium account	Retained earnings	Total equity
Company	£'000	£'000	£'000	£'000
As at 1 January 2017	-	-	(220)	(220)
Loss for the financial year and total comprehensive expense	-	-	(50)	(50)
On issue of shares	-	1,600	-	1,600
As at 31 December 2017 and 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	-	-	1,126	1,126

The notes on pages 14 to 34 form part of these financial statements.

IB Group Ltd

Consolidated cash flow statement for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Net cash from operating activities	22	5,933	5,311
UK corporation tax paid		(246)	(658)
		5,687	4,653
Cash flow from investing activities			
Interest received		20	1
Purchase of subsidiaries (net of cash acquired)		-	(48,313)
Purchase of tangible fixed assets		(1,105)	(890)
Purchase of intangible fixed assets		(66)	(42)
Proceeds from disposal of tangible fixed assets		211	132
Net cash utilised in investing activities		(940)	(49,112)
Financing			
Interest paid		(8,110)	(5,298)
Bank loans advanced		-	105,700
Revolving facility advanced		3,000	10,800
Revolving facility repaid (from Hancocks companies)		-	(5,801)
Bank loans repaid (by Innovative Bites Limited)		-	(6,125)
Bank loans repaid (by Hancocks companies)		-	(32,409)
Other loans repaid (by Hancocks companies)		-	(16,492)
Director loan advanced		-	(1,381)
Loan issue costs paid		-	(5,096)
Net cash (utilised by)/generated from financing activities		(5,110)	43,898
Decrease in cash in the financial year		(363)	(561)

Non-cash movements

The principal non-cash changes were the amortisation of issue costs within interest payable of £984,000 (2017: £672,000) in the year and £4,928,000 of interest rolled up into the loans (2017: £1,600,000 of share capital subscribed for by the roll over of consideration for the Hancocks group into the new IB Group).

The notes on pages 14 to 34 form part of these financial statements.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018

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 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 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 larger group following the acquisition of the Hancocks companies by Innovative Bites Limited. The loan holders now also control the majority shareholding in the group. In September 2018, the loan was split into two tranches with no interest payable for 12 months and then payable quarterly on £56.5m and with interest on the remaining £50.2m to be rolled up, significantly increasing the cash resources for working capital and investment in the business. Notwithstanding the loss for the year and net liabilities, 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, banking facilities and related covenants. After making enquiries, the directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis on preparing its financial statements.

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 2018 (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 and the 2016 income statement reflects a full year's trading for Innovative Bites Ltd.

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 2018 (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 2018 (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 2018 (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. The prior period has not been amended as the comparative costs were not considered material.

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.

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 2018 (continued)

2 Critical accounting judgements and estimation uncertainty (continued)

Acquisition expenses

Expenses incurred during the assessment and acquisition of a business and which may be accounted for in the cost of the consideration, within loan issue costs or be expensed can relate to both the purchase and to the funding of the transaction. They are allocated in accordance with the engagement terms for the respective advisers, the nature and use of the services provided which may involve a degree of judgement in their allocation.

Impairment of intangible assets and goodwill

The group considers whether intangible and tangible assets are impaired. Where an indication of impairment is identified management will estimate 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:	2018	2017
	£'000	£'000
Within the UK	163,693	139,231
Overseas markets including Republic of Ireland	9,185	9,862
	172,878	149,093

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 2018 (continued)

4 Operating profit

Operating profit is stated after charging/(crediting):	2018	2017
	£'000	£'000
Wages and salaries	15,633	12,644
Social security costs	1,507	1,161
Other pension costs	456	314
Total staff costs	17,596	14,119
Profit on disposal of tangible assets	(8)	(14)
Inventory write offs	-	647
Inventory recognised as an expense	127,728	111,214
Depreciation of tangible assets	1,624	1,301
Amortisation of goodwill	6,819	5,052
Amortisation of other intangible assets	96	73
Operating lease charges – plant and equipment	690	529
Operating lease charges - other	2,526	1,838
Forward contract derivative unrealised (gain)/losses in cost of sales	(30)	112
Other foreign exchange losses	61	179
Bad debt expense write offs	180	168
Exceptional restructuring and financing related expenses	2,118	2,632
Fees payable to auditor for the audit of the parent company and consolidated financial statements	15	15
Fees payable to the company's auditor for other services:		
The audit of the Company's subsidiaries	90	85
Other services	11	40
Tax compliance	-	-

2018 exceptional and non-recurring costs relate to £1.4m of professional consultancy, financial review and legal fees in respect of the loan facilities, management and ownership structure (2017: £1.8m) together with £0.25m of restructuring costs, a £0.15m bank facility fee and £0.3m of non-recurring debtor and contract provisions (2017: £0.3m of restructuring costs, £0.4m revolving bank facility fee and £0.15m provision against loans).

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 2018. 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 1 April 2019.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Directors' emoluments

	2018 £'000	2017 £'000
Aggregate directors' remuneration	379	214
Company contributions to money purchase pension scheme	11	10
	390	224
Highest paid director's remuneration	117	78
Company contributions to money purchase pension scheme in respect of highest paid director	6	1
Numbers of directors who are members of money purchase pension scheme	2	4

6 Staff numbers

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

	2018 Number	2017 Number
Management and administration	135	125
Sales and distribution	490	403
	625	528

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

7 Net interest expense

	2018 £'000	2017 £'000
Bank interest receivable	1	1
Other interest receivable	19	-
Interest receivable	20	1
Bank interest payable and similar charges	(10,810)	(7,524)
Other loan interest payable	(7)	(2)
Amortisation of loan issue costs	(984)	(672)
Interest payable and similar charges	(11,801)	(8,198)
Net interest expense	(11,781)	(8,197)

The amortisation of loan issue costs is a non-cash charge and in addition £4.9m of the interest was 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 2018 (continued)

8 Tax on loss

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on loss for the financial year	511	(250)
Adjustments in respect of prior periods	(22)	-
Total current tax	489	(250)
Deferred tax:		
Origination and reversal of timing differences	(34)	(68)
Adjustments in respect of prior periods	27	-
Total deferred taxation (note 17)	(7)	(68)
Total tax on loss	482	(318)

The tax charge/(credit) for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained as follows:

	2018 £'000	2017 £'000
Loss before taxation	(11,223)	(6,980)
Loss before taxation multiplied by standard rate of corporation tax in the UK at 19% (2017: 19.25%)	(2,132)	(1,344)
Effects of:		
Goodwill amortisation not deductible	1,296	973
Expenditure including interest not deductible for tax purposes	1,313	87
Movement in unrecognised deferred tax	-	(24)
Prior year adjustments	5	-
Tax rate differences	-	(10)
Total tax charge/(credit)	482	(318)

Reduction 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 therefore the deferred tax impact of these changes have been included in these financial statements.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Intangible fixed assets

Group

	Software costs	Licences and trademarks	Goodwill	Total
Cost	£'000	£'000	£'000	£'000
At 1 January 2018	242	130	98,270	98,642
Additions	66	-	-	66
At 31 December 2018	308	130	98,270	98,708
Accumulated amortisation				
At 1 January 2018	63	46	5,634	5,743
Charge for the year	82	14	6,819	6,915
At 31 December 2018	145	60	12,453	12,658
Net book value				
At 31 December 2018	163	70	85,817	86,050
At 31 December 2017	179	84	92,636	92,899

£6,358,000 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 (2017: £nil).

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Tangible fixed assets

Group	Freehold land and buildings £'000	Leasehold property £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2018	5,433	1,140	6,248	12,821
Additions	-	12	1,093	1,105
Disposals	-	-	(574)	(574)
At 31 December 2018	5,433	1,152	6,767	13,352
Accumulated depreciation				
At 1 January 2018	84	62	2,686	2,832
Charge for the year	115	86	1,423	1,624
Disposals	-	-	(371)	(371)
At 31 December 2018	199	148	3,738	4,085
Net book value				
At 31 December 2018	5,234	1,004	3,029	9,267
At 31 December 2017	5,349	1,078	3,562	9,989

The net book value of land included in freehold land and buildings was £1,462,000 (2017: £1,462,000).

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Investments

			Shares in group undertakings £000
Company			
Cost and net book value			
As at 1 January and 31 December 2018			-
Subsidiary undertakings	Principal activity	Class of shares held	% share holding
IB Midco Ltd*	Intermediate holding company	Ordinary	100%
Innovative Bltes Limited	Confectionery and grocery wholesale	Ordinary	100%
Bonds Confectionery Limited	Dormant entity	Ordinary	100%
Hancocks Topco Limited	Intermediate holding company	Ordinary	100%
Hancocks Midco Limited	Intermediate holding company	Ordinary	100%
Hancocks Acquisition Limited	Management services	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%
Hancocks Retail Limited	Dormant entity	Ordinary	100%
Hancock Cash & Carry Limited	Confectionery cash and carry	Ordinary	100%
World of Sweets Limited	Confectionery wholesale	Ordinary	100%
Hubpix Limited	Dormant entity	Ordinary	100%
JTS Holdings Limited	Dormant entity	Ordinary	100%
JTS (International) Limited	Dormant entity	Ordinary	100%
International Confectionery Agencies Limited	Dormant entity	Ordinary	100%
Hancock Group Properties Limited	Dormant entity	Ordinary	100%
RE & B Hancock (Birmingham) Limited	Dormant entity	Ordinary	100%
RE & B Hancock (Manchester) Limited	Dormant entity	Ordinary	100%
RE & B Hancock (Stoke) Limited	Dormant entity	Ordinary	100%
Hancocks Confectionery (UK) Limited	Dormant entity	Ordinary	100%
Hancocks (Retail UK) Limited	Dormant entity	Ordinary	100%
Charnwood Golf & Leisure Centre Limited	Dormant entity	Ordinary	100%

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Investments (continued)

Subsidiary undertakings	Country of registration	Principal activity	Class of shares held	% share holding
Bobby's Acquisition Limited	England	Intermediate holding company	Ordinary	100%
Bobby's Foods Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods Northern Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods Midlands Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods Scotland Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods Southern Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods South Wales Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods North East Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods North West Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods South East Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods North London Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods East Anglia Limited	England	Wholesale food and confectionery	Ordinary	100%
Bobby's Foods South West Limited	England	Wholesale food and confectionery	Ordinary	100%

* indicates direct holding, all other subsidiaries are held indirectly.

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.

The group agrees to guarantee the liabilities of IB Midco Ltd (10733059), Bonds Confectionery Limited (03885014), Hancocks Topco Limited (08266592), Hancocks Midco Limited (08266800), Hancocks Acquisition Limited (08267159), Hancocks Group Holdings Limited (05652019), Hancocks Holdings Limited (02884267), Bobby's Acquisition Limited (10413237), Bobby's Foods Limited (01666996), 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.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Inventories

Group	2018 £'000	2017 £'000
Finished goods	19,200	17,683

There is no significant difference between the replacement cost of the inventory and its carrying amount.

Inventories are stated after provisions for impairment of £663,000 (2017: £832,000).

The company has no inventories (2017: £nil).

13 Debtors

Group	2018 £'000	2017 £'000
Trade debtors	14,808	16,303
Derivative financial instruments (note 16)	147	152
Corporation tax recoverable	536	1,436
Deferred taxation asset (see note 17)	107	100
Other debtors, prepayments and accrued income	1,759	2,229
	17,357	20,220

Trade debtors are stated after provisions for impairment of £264,000 (2017: £654,000).

Company	2018 £'000	2017 £'000
Amounts owed by group undertakings (see below)	1,134	1,290
Other debtors	49	39
	1,183	1,329

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 2018 (continued)**

14 Creditors: amounts falling due within one year

Group	2018	2017
	£'000	£'000
Bank overdrafts (note 15)	13,800	10,800
Trade creditors	18,228	20,337
Other taxation and social security	2,165	2,158
Corporation tax	213	870
Other creditors	267	598
Derivative financial Instruments (note 16)	-	112
Accruals and deferred income	3,392	6,649
	38,065	41,524

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

15 Creditors: amounts falling due after more than one year

Group	2018	2017
	£'000	£'000
Amounts falling due between one and five years		
Bank loans (see below)	107,305	101,428
Amounts falling due after five years		
Other loans (see below)	57	-
	107,362	101,428

The bank loan of £110,628,000 (2017: £105,700,000) is stated net of unamortised issue costs of £3,323,000 (2017: £4,272,000). 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 Payment In Kind (PIK) basis and to be rolled up.

The loan continues to bear interest at 8.5% over LIBOR and £59,078,000 is repayable in full on 12 April 2022 and £51,550,000 on 7 October 2023 which did not constitute a substantial change to the loan for accounting purposes. There is an interest rate cap in place with interest on £70.5m of the loan capped at 2% for LIBOR for 18 months.

The group's financing facility includes a revolving credit facility of £15,000,000 to cover working capital and liquidity commitments of which £13,800,000 (2017: £10,800,000) was utilised at 31 December 2018. 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	2018	2017
	£'000	£'000
Amounts falling due after five years		
Other loans (see below)	57	-

The company executed a capital reduction in the year of £1,600,000 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 together with compounding interest of 10%. The estimated discounted fair value at inception of £50,000 is 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).

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Financial instruments

Financial assets	2018 £'000	2017 £'000
Financial assets measured at amortised cost:		
Cash	3,978	4,341
Trade debtors	14,808	16,303
Other debtors	191	513
Financial assets measured at fair value	147	152
	19,124	21,309

There is an interest rate cap in place as disclosed in note 15 and the £117,000 (2017: £152,000) 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 2018 these comprised an asset with a fair value of £30,000 (2017: liability of £112,000). At 31 December 2018 the outstanding contracts all mature within 6 months of the year end (2017: 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.

Financial liabilities	2018 £'000	2017 £'000
Financial liabilities measured at amortised cost		
Trade creditors	18,228	20,337
Other creditors	267	598
Accruals	3,392	6,649
Overdrafts	13,800	10,800
Loans	107,362	101,428
Financial liabilities measured at fair value	-	112
	143,049	139,924

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

17 Provisions for other liabilities

Deferred taxation liability	£'000
At 1 January 2018	100
Profit and loss account (note 8)	7
At 31 December 2018	107

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

	2018 £'000	2017 £'000
Accelerated capital allowances	16	55
Other timing differences	91	45
Deferred tax asset	107	100

As at 31 December 2018 the group has a unrecognised deferred tax asset of approximately £600,000 (2017: £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% (2017: 17%).

The company has no deferred tax asset or liability.

18 Called up share capital

Group and company	2018 £	2017 £
Allotted and fully paid		
1,457,131 (2017: nil) ordinary shares of £0.0001 each	146	-
10 (2017: 1,020,000) A ordinary shares of £0.00001 each	-	102
Nil (2017: 35,495) B1 ordinary shares of £0.0015 each	-	53
Nil (2017: 1,500) B2 ordinary shares of £0.0015 each	-	2
Nil (2017: 9,500) C ordinary shares of £0.001 each	-	10
	146	167

The company executed a capital reduction in the year of £1,600,000 in respect of the B1, B2 and C ordinary 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 together with compounding interest of 10%. The estimated discounted fair value at inception of £50,000 is 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).

1,019,990 A shares were redesignated as ordinary shares and 437,141 new £0.0001 shares were issued at par.

The A shares are non-voting and entitled only to a distribution in accordance with the Articles on a return of capital.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Capital and other commitments

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

	2018	2017
Payment due date	£'000	£'000
Not later than one year	2,616	2,557
Later than one year and not later than five years	4,845	5,236
Later than five years	5,201	5,986
	12,662	13,779

The company had no operating lease commitments (2017: £nil). The group and company had capital commitments of £nil at 31 December 2018 (2017: £nil).

20 Contingent liabilities

The company has given cross guarantees in respect of £124.4m (2017: £116.5m) 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 £456,000 (2017: £314,000). Contributions of £59,000 (2017: £66,000) were included in creditors at 31 December 2018.

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

22 Net cash inflow

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

	2018 £'000	2017 £'000
Loss for the financial year	(11,705)	(6,662)
Adjustment for:		
Tax on profit	482	(318)
Net interest expense	11,781	8,197
Operating profit	558	1,217
Depreciation of tangible fixed assets	1,624	1,301
Amortisation of intangible fixed assets	6,915	5,125
(Profit) on sale of tangible fixed assets	(8)	(14)
Working capital movements:		
(Increase)/decrease in inventories	(1,517)	34
Decrease in debtors	1,935	1,483
Decrease in creditors	(3,574)	(3,835)
Net cash inflow from operating activities	5,933	5,311

IB Group Ltd

Notes to the financial statements for the year ended 31 December 2018 (continued)

23 Reconciliation of net debt

	At 1 January 2018	Cash flow	Non cash changes	At 31 December 2018
	£'000	£'000	£'000	£'000
Cash	4,341	(363)	-	3,978
Revolving credit facility	(10,800)	(3,000)	-	(13,800)
Bank loans	(101,428)	-	(5,877)	(107,305)
Other loans	-	-	(57)	(57)
Net debt	(107,887)	(3,363)	(5,934)	(117,184)

24 Related party transactions, ultimate parent company and controlling parties

The immediate and ultimate parent company as of 31 December 2018 was IB Topco Ltd, registered in England and Wales.

Och-Ziff 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 £110,628,000 as of 31 December 2018. Interest of £10,293,000 accrued on these during the year of which £4,928,000 was 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 £945,000 (2017: £563,000).

A fully provided, interest free amount of £1,652,000 had been loaned to and was owed by Mr V Madhu at 31 December 2017 and 2018, a director and the controlling shareholder during the period to 23 April 2018 and prior year.

Other than the transactions disclosed above other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

Company registered no: 09990469

IB Group Ltd
Auditor's report and supplementary notes
in respect of a revision to the annual report
for the year ended 31 December 2018

TUESDAY

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IB Group Ltd

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

Opinion

We have audited the revised financial statements of IB Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, 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 revised financial statements, including a summary of significant accounting policies. The revised financial statements replace the original financial statements approved by the directors on 30 April 2019 and consist of the attached supplementary note together with the original financial statements which were circulated to members on 30 April 2019. 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). The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date the original financial statements were approved.

In our opinion, the revised financial statements:

- give a true and fair view, seen as at the date the original financial statements were approved, of the state of the group's and parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice seen as at the date the original financial statements were approved; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

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 revised 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 revised 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.

Emphasis of matter – revision of loan balance

We draw attention to the disclosures made in the supplementary note, which describes the need for revision of loan balances, being the recognition of an equal intercompany debtor and external bank loan because of the correction of a misstatement in the original financial statements. The original financial statements were approved on 30 April 2019 and our previous audit report was signed 30 April 2019. We have not performed a subsequent events review for the period from the date of our previous auditor's report to the date of this report. Our opinion is not modified in this respect.

IB Group Ltd

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

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 revised financial statements is not appropriate; or
- the directors have not disclosed in the revised 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 original financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the revised financial statements and our auditor's report thereon. Our opinion on the revised 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 revised financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised 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 revised 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 revised financial statements are prepared is consistent with the revised financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In our opinion, the original financial statements for the year ended 31 December 2018 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the statement contained in the supplementary note.

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 strategic report or the directors' report.

IB Group Ltd

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

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 revised 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.

Responsibilities of directors for the revised financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the revised 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 revised financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the revised financial statements, the directors are responsible for assessing the group's and 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 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 revised financial statements

Our objectives are to obtain reasonable assurance about whether the revised 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 revised financial statements.

A further description of our responsibilities for the audit of revised 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.

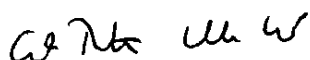
We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors. The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

IB Group Ltd

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. 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
10 September 2019

IB Group Ltd

Supplementary notes to the financial statements for the year ended 31 December 2018

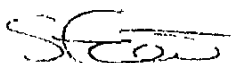
Revision of financial statements

The initial financial statements were approved by the board on 30 April 2019 and this supplementary note now includes a company balance sheet and notes which replace those in the initial financial statements. The initial financial statements, together with these supplementary notes now represent the statutory financial statements for the year ended 31 December 2018. As required by the Companies Act, they take account only of the revisions to these set out below and, in respect of the consideration of subsequent events, are otherwise as if approved on 30 April 2019 and not on the date of revision.

Subsequent to approval and prior to filing the financial statements at Companies House, an accounting omission was noted whereby the initial financial statements did not reflect all refinancing documentation signed in September 2018, specifically those documents novating a shareholder loan liability held by a subsidiary company to IB Group Ltd. This was novated within the group on identical terms with a balancing intercompany liability put in place and consequently the only change to the initial company balance sheet and to the initial notes 13 and 15 is to record an additional £51,519,000 intercompany loan receivable and equal £51,519,000 shareholder loan liability, which includes £1,319,000 of intercompany interest receivable and an equal amount of shareholder loan interest payable now reflected in the company profit and loss account.

The revision has no net impact on the company result for the year or net assets and there are no changes or impact on any balances in the consolidated financial statements as this was an intra-group novation.

These supplementary notes were approved by the board of directors on 9 September 2019 and were signed on its behalf by:



S Foster
Director

IB Group Ltd

Revised company balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments		-	-
Current assets			
Debtors: amounts falling due in more than one year	A	51,519	-
Debtors	A	1,183	1,329
Cash at bank and in hand		-	1
		52,702	1,330
Creditors: amounts falling due within one year		-	-
Net current assets		52,702	1,330
Total assets less current liabilities		52,702	1,330
Creditors: amounts falling due after more than one year	B	(51,576)	-
Net assets		1,126	1,330
Capital and reserves			
Called up share capital		-	-
Share premium account		-	1,600
Retained earnings		1,126	(270)
Total equity		1,126	1,330

A Debtors – revised note in respect of the company balance sheet

Company	2018	2017
Amounts falling due in more than one year:	£'000	£'000
Amounts owed by group undertakings (see below)	51,519	-
Amounts falling due in less than one year:		
Amounts owed by group undertakings (see below)	1,134	1,290
Other debtors	49	39
	1,183	1,329

The note has been revised to include £51,519,000 owed by a subsidiary company. This 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.