

COMPANIES HOUSE COPY

**Big Bear Group Plc**

Report and Financial Statements

Year Ended

31 August 2010

Company Number 05969485

WEDNESDAY



\*AEYAVRBT\*

A15

02/02/2011

167

COMPANIES HOUSE

# **Big Bear Group Plc**

## **Report and financial statements for the year ended 31 August 2010**

---

### **Contents**

#### **Page:**

1	Statement from Joint Chairmen
3	Report of the directors
6	Independent auditor's report
8	Consolidated profit and loss account
9	Consolidated balance sheet
10	Company balance sheet
11	Consolidated cash flow statement
12	Notes forming part of the financial statements

---

### **Directors**

J A Jackson  
P N Wilkinson  
M Giannotta  
M G Grahame  
D J Martin  
K M Buchanan  
J L James

### **Secretary and registered office**

K M Buchanan, Sunningdale Road, Braunstone, Leicestershire LE3 1UE

### **Company number**

05969485

### **Auditors**

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

# Big Bear Group Plc

## Statement from Joint Chairmen

---

### Introduction

Your company has made significant progress in 2010 and despite the continuing difficult economic climate, we have achieved record results with operating profits before exceptional items over 34% ahead of last year. There has been continuous pressure during the year from major food retailers on their suppliers to control selling prices and we have seen no inflation in our selling prices since the spring of 2008, with the exception of Just Brazils.

Whilst we continue to make efficiencies in our supply chain and production processes, in the second half of this year we have seen substantial increases in most of the raw materials' prices that your company uses. Other food manufacturers have started to raise selling prices to their customers and we are watching the situation carefully.

The general public continue to look for exciting, value for money, innovative food products and our key brands have generally continued to grow their market share. Recent weeks have seen significant introduction of new products, and we are pleased to have gained permanent listings with Tesco, Morrison's and Asda for our new chocolate flavoured breakfast cereals.

Both operating subsidiaries, Honey Monster Foods ("HMF") and Fox's Confectionery ("FCL") are thriving in the current environment and have made excellent trading progress this year.

HMF produces branded ready-to-eat breakfast cereals, including Sugar Puffs, Choco Puffs, Honey Monster Honey Waffles and Choco Waffles, and healthy alternatives through the Good Grain Company such as Puffed Wheat, as well as cereal bars, mainly under the Harvest Chewee brand. FCL produces branded sugar and chocolate confectionery under the Fox's Glacier, XXX, Poppets and Just brand names.

### Results

Full year results of Group sales at £56.01 million (2009: £53.25 million) and EBITDA before exceptional and restructuring costs of £11.78 million (2009: £9.26 million) were 5.2% and 27.2% up respectively, whilst operating profits before goodwill amortisation, exceptional items and interest were £10.60 million (2009: £8.06 million), an increase of 31.5%. Exceptional costs in 2009/10 of £590K were related to professional advice, legal and accountancy costs incurred during the flotation process which your Board cancelled in mid-February. Redundancy costs of £43K were also incurred. Prior year restructuring costs of £151K were also principally redundancy related.

Total interest costs for the year of £3.06 million were broadly in line with the charge for 2009 of £2.99 million, however the current year figure includes a provision for the calculated "A" loan note redemption premium of £803K on the assumption that the loan notes are likely to be redeemed in 2010. Underlying interest charges are reducing sharply as a result of the substantial loan note redemption that took place in 2009, and the improving cash flow in the second half of the current year.

Pre-tax profits of £7.6 million before exceptional items and goodwill amortisation are 50% ahead of last year. These excellent results flow from the investment in Project Harrier which was completed in early February 2010. The successful conclusion of this project has made Big Bear Group entirely self-sufficient in handling its sales, distribution and invoicing to customers in the United Kingdom, and has considerably reduced the costs of our Group operations. The full year benefit of Harrier is anticipated to be well in excess of £1 million.

### Corporate Action

Following the decision taken to defer the prospective Listing of the Company's shares on AIM last February, your directors continue to evaluate all options to improve liquidity of the Company's equity capital and loan note instruments.

# Big Bear Group Plc

## Chairman's statement (*continued*)

---

### Outlook

The global economic turmoil which was a feature of 2009 has continued to impact the economic and financial position of the United Kingdom which is the Group's main market. The UK economy appears to have returned to growth in recent weeks having been in negative territory for much of our financial year. The poor outlook for the UK has seen its currency continue to weaken against a basket of global currencies (with the exception of the US \$), but the recent announcement that further quantitative easing is unlikely has seen an improving outlook for the value of the £. This is important for the future well being of your company, as many of its raw materials and packaging are adversely impacted by the continued devaluation of sterling. We have seen sharp rises in the prices of durum wheat, sugar, glucose and chocolate in recent months. Although we buy very little of our major supplies on the "spot" market, raw material price inflation is likely to have an impact in our pricing strategy as we move into 2011.

Apart from Project Harrier, we have invested substantial sums in capital equipment in recent months to further improve our manufacturing efficiency and to ensure that we remain competitive in the market place in which we operate. Most recently a major project to install an extruder at Southall has been successfully completed, and from September 2010, we have been able to manufacture Honey Waffles entirely in house. We also anticipate being able to use the additional capacity we have to develop further new products to add to our range in the future.

A number of new products have gained listings with the supermarkets in recent weeks, in particular Choco Puffs, Choco Waffles, and a special limited Halloween edition, Spooky Puffs. We also have some new products targeted for introduction to supermarket shelves in the new calendar year and we are working on gaining listings for these products now.

We have had a subdued start to trading in the new year in September, but October trading has resumed to normal levels and with all the initiatives that have gone into growing sales and reducing our overall cost base we are confident of another good result in FY2011.

### Employees

We would like to thank all our employees for their continued efforts to make our business the success it is, and we are very grateful for their support and co-operation. Largely as a result of the successful implementation of Project Harrier we have seen a small rise in total employee numbers this year, but yet again tonnage per employee and operating profit per employee have grown to record levels.

Mario Giannotta and his management team have produced an excellent set of results and on behalf of all our shareholders we would like to record our thanks to everyone who has contributed to this outstanding performance.

John A Jackson  
Paul N Wilkinson  
**Joint Chairmen**

# **Big Bear Group Plc**

## **Report of the directors for the year ended 31 August 2010**

---

The directors present their report together with the audited financial statements for the year ended 31 August 2010

### **Results and dividends**

The profit and loss account is set out on page 8 and shows the profit for the year

The directors do not recommend the payment of a dividend

### **Principal activities, review of business and future developments**

The company's principal activity is that of a holding company

The main activity of the group is the production and sale of food products

### **Review of Business**

A review of the trading position of the group is set out in the statement from the Joint Chairmen on pages 1 to 2

### **Principal risks and uncertainties**

The Honey Monster and Fox's Confectionery product lines have strong brand awareness and distribution which gives the directors confidence that the group's results are resilient to market pressures and changes. Input costs and Euro related commodities continue to be volatile and we aim to lock into appropriate forward contracts wherever possible to mitigate these risks. The business has invested in, and continues to invest in, new equipment and processes to offset price movements through improved efficiencies and a lower cost base.

Other risks to the business are not unusual or significant. Exposure to currency movement, interest rates and material price rises are mitigated wherever possible and economically desirable.

### **Financial instruments**

The group's financial instruments comprise borrowings, loan notes, some cash and liquid resources, and various items such as trade debtors and creditors all of which arise directly from the group's operations.

Operations and working capital requirements are funded primarily out of short term banking facilities and retained profits.

### **Charitable and political contributions**

During the year the group made no charitable contributions (2009 - £Nil). There were no political contributions (2009 - £Nil).

### **Policy and practice on the payment of creditors**

The group is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted but does not follow any code or standard on payment practice. It is the group's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

The number of average days' purchases of the group represented by trade creditors at 31 August 2009 was 55 (2009 - 52).

### **Indemnity Cover**

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

# **Big Bear Group Plc**

## **Report of the directors for the year ended 31 August 2010 (continued)**

---

### **Brands & Brand Support**

The group's principal focus is on the management of its key brands Fox's Glacier Mints, XXX, Poppets, Just, Sugar Puffs, Honey Monster and Harvest Chewee

### **Directors**

The directors of the company during the year were

J A Jackson  
P N Wilkinson  
M Giannotta  
M G Grahame  
D J Martin  
K M Buchanan  
J L James (appointed 7 September 2009)

### **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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the 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,
- 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.

# **Big Bear Group Plc**

## **Report of the directors for the year ended 31 August 2010 (continued)**

---

### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting

On behalf of the board

  
K M Buchanan

**Director**

Date 5 November 2010

# **Big Bear Group Plc**

## **Independent auditor's report**

---

### **TO THE MEMBERS OF BIG BEAR GROUP PLC**

We have audited the financial statements of Big Bear Group Plc for the year ended 31 August 2010 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 August 2010 and of the group's 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# Big Bear Group Plc


## Independent auditor's report (*continued*)

---

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Graham Clayworth (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Birmingham  
United Kingdom

Date 5 November 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Big Bear Group Plc

## Consolidated profit and loss account for the year ended 31 August 2010

	Note	Before exceptional costs 2010 £'000	Exceptional costs 2010 £'000	Total 2010 £'000	Total 2009 £'000
Turnover	2	56,008	-	56,008	53,250
Cost of sales		33,303	-	33,303	33,120
<b>Gross profit</b>		<b>22,705</b>	<b>-</b>	<b>22,705</b>	<b>20,130</b>
Distribution costs		7,565	-	7,565	8,685
Administrative expenses	3	4,736	590	5,326	3,690
<b>Group operating profit</b>	4	<b>10,404</b>	<b>(590)</b>	<b>9,814</b>	<b>7,755</b>
Other interest receivable and similar income				1	52
Interest payable and similar charges	7			(3,055)	(2,990)
<b>Profit on ordinary activities before taxation</b>				<b>6,760</b>	<b>4,817</b>
Taxation on profit on ordinary activities	9			2,089	1,448
<b>Profit on ordinary activities after taxation</b>				<b>4,671</b>	<b>3,369</b>

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 12 to 27 form part of these financial statements


# Big Bear Group Plc

## Consolidated balance sheet at 31 August 2010

<i>Company number 05969485</i>	Note	2010 £'000	2010 £'000	2009 As restated £'000	2009 As restated £'000
<b>Fixed assets</b>					
Intangible assets	10		19,369		19,520
Tangible assets	11		18,517		17,993
			<u>37,886</u>		<u>37,513</u>
<b>Current assets</b>					
Stocks	13	5,041		6,395	
Debtors	14	12,568		10,839	
Cash at bank and in hand		90		541	
		<u>17,699</u>		<u>17,775</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>16,097</u>		<u>19,019</u>	
<b>Net current assets/(liabilities)</b>			<u>1,602</u>		<u>(1,244)</u>
<b>Total assets less current liabilities</b>			<u>39,488</u>		<u>36,269</u>
<b>Creditors, amounts falling due after more than one year</b>	16	23,745		25,384	
<b>Provisions for liabilities</b>	17	<u>1,469</u>		<u>1,282</u>	
			<u>25,214</u>		<u>26,666</u>
			<u>14,274</u>		<u>9,603</u>
<b>Capital and reserves</b>					
Called up share capital	19		2,491		2,491
Profit and loss account	20		11,783		7,112
<b>Shareholders' funds</b>	21		<u>14,274</u>		<u>9,603</u>

The financial statements were approved by the board of directors and authorised for issue on 5 November 2010

  
M Giannotta  
Director

  
K M Buchanan  
Director

The notes on pages 12 to 27 form part of these financial statements

# Big Bear Group Plc

## Company balance sheet at 31 August 2010

<i>Company number 05969485</i>	<b>Note</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>	<b>As restated £'000</b>	<b>As restated £'000</b>
<b>Fixed assets</b>					
Fixed asset investments	12		29,880		29,881
<b>Current assets</b>					
Debtors	14	61		2,440	
<b>Creditors: amounts falling due within one year</b>	15	<u>2,934</u>		<u>3,183</u>	
<b>Net current liabilities</b>			<u>(2,873)</u>		<u>(743)</u>
<b>Total assets less current liabilities</b>			<b>27,007</b>		<b>29,138</b>
<b>Creditors: amounts falling due after more than one year</b>	16		<u>24,991</u>		<u>26,111</u>
			<u>2,016</u>		<u>3,027</u>
<b>Capital and reserves</b>					
Called up share capital	19		2,491		2,491
Profit and loss account	20		(475)		536
<b>Shareholders' funds</b>	21		<u>2,016</u>		<u>3,027</u>

The financial statements were approved by the board of directors and authorised for issue on 5 November 2010



M Giannotta  
Director



K M Buchanan  
Director

The notes on pages 12 to 27 form part of these financial statements

# Big Bear Group Plc

## Consolidated cashflow statement for the year ended 31 August 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>Net cash inflow from operating activities</b>	24		7,466		6,820
<b>Returns on investments and servicing of finance</b>					
Interest received		1		52	
Interest paid bank loans		(1,292)		(1,130)	
Interest paid other loans		(305)		(2,453)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(1,596)		(3,531)
<b>Taxation</b>					
Corporation tax paid			(1,020)		(1,319)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets			(1,696)		(1,078)
<b>Cash inflow before use of financing</b>			3,154		892
<b>Financing</b>					
New loans		-		25,000	
Loans repaid - bank		(3,432)		(15,104)	
Capital element of finance leases repaid		(173)		(180)	
Loans repaid - other		-		(15,132)	
Facility fees associated with new loans		-		(644)	
<b>Net cash outflow from financing</b>			(3,605)		(6,060)
<b>Decrease in cash</b>	25		(451)		(5,168)

The notes on pages 12 to 27 form part of these financial statements

# Big Bear Group Plc

## Notes forming part of the financial statements for the year ended 31 August 2010

---

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

#### *Basis of preparation*

The group's business activities, together with the factors likely to affect its future development and position, are set out in the Statement from the Joint Chairmen and the Directors' Report on pages 1 to 5

The group has considerable financial resources together with long-term trading relationships with a number of customers and suppliers, the group is profitable and is expected to continue to generate strong positive cash flows for the foreseeable future. The company participates in centralised treasury arrangements and so shares banking arrangements with its subsidiaries, the directors are pleased to report that adequate bank facilities are in place until 2011

The directors have a firm expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### *Basis of consolidation*

The consolidated financial statements incorporate the results of Big Bear Group Plc and all of its subsidiary undertakings as at 31 August 2010 using the acquisition method of accounting. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition

#### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax, trade discounts and sales incentives. Revenue is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer

#### *Goodwill*

Goodwill arising on acquisition of a trade is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life

In the opinion of the directors, the useful economic life of goodwill arising on the consolidation of Fox's Confectionery Limited is 40 years and, in reaching this conclusion, the directors have chosen to rebut the presumption within FRS 10 that 20 years is the maximum life

Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

# Big Bear Group Plc

## Notes forming part of the financial statements for the year ended 31 August 2010 (*continued*)

---

### 1 Accounting policies (*continued*)

#### *Brands*

Where separately identifiable brands are acquired, they are recognised at cost which is deemed to be the fair value as agreed between willing vendor and purchaser

Acquired brands are amortised on a straight-line basis over their estimated useful economic life but no longer than 20 years, except where they are considered to have an indefinite useful economic life, in which case they are not amortised. The carrying value of brands with an indefinite life are subject to annual impairment reviews by the Directors and any amortisation or impairment provisions are charged against profit in the year concerned.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- 2% straight line
Plant and machinery	- between 6.67% and 33.33% straight line
Office equipment	- between 20% and 33% straight line

#### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for impairment.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of raw material on a first in, first out basis. Work-in-progress and finished goods include labour and attributable overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

#### *Foreign currency*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

#### *Finance costs*

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### *Research*

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

# Big Bear Group Plc

## Notes forming part of the financial statements for the year ended 31 August 2010 (*continued*)

---

### 1 Accounting policies (*continued*)

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

#### *Share-based payment*

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### *Pension costs*

Contributions to the company's managed defined contribution pension schemes and to personal defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.



# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 2 Turnover

	2010 £'000	2009 £'000
Analysis by geographical market		
United Kingdom	52,736	49,744
Europe	2,822	3,002
Rest of the world	450	504
	<u>56,008</u>	<u>53,250</u>

Turnover is wholly attributable to the principal activity of the group

## 3 Exceptional items

Administration expenses include exceptional costs of £590,000 (2009 - £Nil) which relate to professional fees incurred in respect of the aborted IPO of Big Bear Group plc in February 2010

## 4 Operating profit/(loss)

	2010 £'000	2009 £'000
This is arrived at after charging		
Research and development - current year's expenditure	53	48
Depreciation of tangible fixed assets	1,172	1,199
Amortisation of positive goodwill	151	151
Hire of plant and machinery - operating leases	18	-
Hire of other assets - operating leases	31	59
Auditors' remuneration - fees payable to the group's auditor for the audit of the group's annual accounts	48	48
Restructuring costs	43	151
	<u>1,916</u>	<u>1,556</u>

The audit fee in respect of Big Bear Group Limited, the company, is borne by subsidiary undertaking, Fox's Confectionery Limited

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 5 Employees

Staff costs (including directors) consist of

	Group 2010 £'000	Group 2009 £'000
Wages and salaries	7,985	6,731
Social security costs	726	695
Other pension costs	308	324
	<u>9,019</u>	<u>7,750</u>

The average number of employees (including directors) during the year was as follows

	Group 2010 Number	Group 2009 Number
Production	180	161
Sales and Management	59	80
	<u>239</u>	<u>241</u>

## 6 Directors' remuneration

	2010 £'000	2009 £'000
Directors' emoluments	964	733
Company contributions to money purchase pension schemes	53	44
Amounts paid to third parties in respect of directors' services	136	129
	<u></u>	<u></u>

There were 4 directors receiving contributions into personal defined contribution pension schemes during the year (2009 - 3)

The total amount payable to the highest paid director in respect of emoluments was £310,000 (2009 - £240,000) Company pension contributions of £19,000 (2009 - £19,000) were made to a money purchase scheme on their behalf

# Big Bear Group Plc

## Notes forming part of the financial statements for the year ended 31 August 2010 (continued)

### 6 Directors' remuneration (continued)

The total directors' emoluments figure includes the following amounts payable to third parties in respect of consultancy services to the group

Nugents Park Limited, a company controlled by J A Jackson, which has a consultancy agreement with the subsidiary pursuant to which, Nugents Park Limited, through J A Jackson, provides consultancy services to the subsidiary for a fee Fees and expenses paid in the year ended 31 August 2010 were £69,000 (2009 - £65,000)

Parkside Capital, an entity controlled by P N Wilkinson, which has a consultancy agreement with the subsidiary pursuant to which, Parkside Capital, through P N Wilkinson, provides consultancy services to the subsidiary for a fee Fees and expenses paid in the year ended 31 August 2010 were £67,000 (2009 - £64,000)

### 7 Interest payable and similar charges

	2010 £'000	2009 £'000
Bank loans, overdrafts and other financing costs	1,727	1,403
Interest and redemption premium on loan notes	1,305	1,158
Finance lease interest	23	32
Facility fee amortisation	-	397
	<u>3,055</u>	<u>2,990</u>

### 8 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements The group profit for the year includes a loss after tax of £1,011,000 (2009 - £2,932,000 profit) which is dealt with in the financial statements of the parent company

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 9 Taxation on profit on ordinary activities

	2010 £'000	2009 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	1,922	1,278
Adjustment in respect of previous periods	(20)	1
	<u>1,902</u>	<u>1,279</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	241	161
Adjustment in respect of previous periods	(54)	8
	<u>187</u>	<u>169</u>
Movement in deferred tax provision	187	169
	<u>2,089</u>	<u>1,448</u>
Taxation on profit on ordinary activities		

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	<u>6,760</u>	<u>4,817</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	1,893	1,349
Effect of:		
Expenses not deductible for tax purposes	318	64
Capital allowances for period in excess of depreciation	(165)	(127)
Adjustment to tax charge in respect of previous periods	(20)	1
Transfer pricing adjustments	(95)	-
Short term timing differences	(29)	(8)
	<u>1,902</u>	<u>1,279</u>
Current tax charge for the year		

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 10 Intangible fixed assets

### Group

	Brands £'000	Goodwill on consolidation £'000	Total £'000
<i>Cost</i>			
At 1 September 2009 and 31 August 2010	13,800	6,070	19,870
<i>Amortisation</i>			
At 1 September 2009	-	350	350
Provided for the year	-	151	151
At 31 August 2010	-	501	501
<i>Net book value</i>			
At 31 August 2010	13,800	5,569	19,369
At 31 August 2009	13,800	5,720	19,520

The Group's subsidiary, Fox's Confectionery Limited, owns several major iconic brands, including Fox's Glacier, Poppets, XXX and Just, whilst the brand portfolio of fellow subsidiary Honey Monster Foods Limited includes the Honey Monster, as well as iconic children's breakfast cereal brand Sugar Puffs, and the children-focused leading range of cereal bars under the Harvest Chewee brand

Fox's Confectionery brands were acquired in September 2003 when the confectionery division was losing money, and no brand value could be attributed to the brands acquired. As a result the carrying value of all confectionery brands owned by the Company is £1. Since acquisition the group has invested in brand support and refocused operations, enabling the business to return to profitability. The directors of the Company consider that the confectionery brands today have a significant value.

The brand value of £13.8m represents the arms length cost of the acquisition of the intellectual property of the Honey Monster Foods business in September 2006. Since acquisition the company has invested significantly behind the brand resulting in increased profitability, therefore in the opinion of the directors the value of the brands has increased substantially. The directors have carried out an asset impairment test, which shows that there has been no impairment of the brand, and therefore no amortisation of the brand value is appropriate. It is the intention of the directors to perform an impairment test on an annual basis.

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 11 Tangible fixed assets

### Group

	Freehold land and buildings £'000	Plant, machinery and office equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 September 2009	10,427	12,900	23,327
Additions	-	1,696	1,696
	<hr/>	<hr/>	<hr/>
At 31 August 2010	10,427	14,596	25,023
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 September 2009	268	5,066	5,334
Provided for the year	77	1,095	1,172
	<hr/>	<hr/>	<hr/>
At 31 August 2010	345	6,161	6,506
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 August 2010	10,082	8,435	18,517
	<hr/>	<hr/>	<hr/>
At 31 August 2009	10,159	7,834	17,993
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £754,000 (2009 - £766,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £66,000 (2009 - £62,000).

The cost of freehold land and buildings includes an amount of £6,588,000 (2009 - £6,588,000) in respect of the land that is not depreciated.

The cost of plant, machinery and office equipment includes an amount of £1,040,000 (2009 - £60,000) in respect of assets under the course of construction that are not depreciated.

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 12 Fixed asset investments

The company's investment in subsidiary undertakings at 31 August 2010 was £29,881,000 (2009 - £29,881,000)

### *Subsidiary undertakings*

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Class of share capital held	Proportion of share capital held	Nature of business
<i>Subsidiary undertakings</i>			
Fox's Confectionery Limited	A,B,C ordinary shares of £1 each	100%	Production and sale of confectionery
Honey Monster Foods Limited	Ordinary shares of £1	100%	Production and sale of cereal products

## 13 Stocks

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Raw materials and consumables	2,775	2,930	-	-
Finished goods and goods for resale	1,957	3,035	-	-
Packaging	309	430	-	-
	<u>5,041</u>	<u>6,395</u>	<u>-</u>	<u>-</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 14 Debtors

	Group 2010 £'000	Group 2009 As restated £'000	Company 2010 £'000	Company 2009 As restated £'000
Amounts receivable within one year				
Trade debtors	11,316	10,016	-	-
Prepayments and accrued income	1,180	547	-	-
Other debtors	72	276	-	-
Deferred taxation (see note 17)	-	-	61	-
	<u>12,568</u>	<u>10,839</u>	<u>61</u>	<u>-</u>
Amounts receivable after more than one year				
Amounts owed by group undertakings	-	-	-	2,440
	<u>12,568</u>	<u>10,839</u>	<u>61</u>	<u>2,440</u>

See note 19 for details of the adjustment to the prior year figures

## 15 Creditors: amounts falling due within one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Bank loans and overdrafts (secured)	2,786	2,918	2,786	2,918
Trade creditors	4,382	5,696	-	-
Corporation tax	1,744	862	-	-
Other taxation and social security	1,091	886	85	-
Obligations under finance lease and hire purchase contracts	-	173	-	-
Accruals and deferred income	6,094	8,484	63	265
	<u>16,097</u>	<u>19,019</u>	<u>2,934</u>	<u>3,183</u>



# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (continued)

## 16 Creditors amounts falling due after more than one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Bank loans and loan notes	22,004	24,947	22,004	24,947
Amounts owed to group undertakings	-	-	1,246	727
Loan note interest and redemption premium	1,741	437	1,741	437
	<u>23,745</u>	<u>25,384</u>	<u>24,991</u>	<u>26,111</u>

### Maturity of debt

	Bank loans and loan notes 2010 £'000	Bank loans and loan notes 2009 £'000	Finance leases 2010 £'000	Finance leases 2009 £'000
In one year or less, or on demand	2,786	2,918	-	173
In more than one year but not more than two years	2,928	2,918	-	-
In more than two years but not more than five years	14,068	17,021	-	-
In more than five years	5,008	5,008	-	-
	<u>22,004</u>	<u>24,947</u>	<u>-</u>	<u>-</u>

At 31 August 2010, £20,068,000 of the loans were due to Barclays Bank PLC, the amounts above are net of finance costs of £286,000. These loans are secured on the assets of the group including full fixed and floating charges over the assets of the group. The loans attract interest at a variable rate of between LIBOR + 2.25% and LIBOR + 2.75% and are repayable as follows:

Loan A - quarterly repayments of £625,000 with the remaining balance due on 31 December 2011  
Loan B - quarterly repayments of £125,000 with the remaining balance due on 31 December 2011

On 21 May 2007 unsecured A Loan Notes of £16,829,000 and B Loan Notes of £3,338,000 were issued at par for a non-cash consideration when the company acquired the entire share capital of Fox's Confectionery Limited. The loan notes rank behind the above bank loans for repayment with a 10 year maturity date and incur interest at a rate 9% per annum, and at 31 August 2010, £3,735,000 of A Loan Notes and £1,273,000 of B Loan Notes were outstanding.

The loan notes attract a redemption premium, which became payable from 6 September 2009. Accordingly a provision has been made in the accounts of £803,000 to reflect the accrued liability as at 31 August 2010.

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 *(continued)*

## 17 Provisions for liabilities

### Group

	Deferred taxation £'000
At 1 September 2009	1,282
Charged to profit and loss account	187
	<hr/>
At 31 August 2010	1,469
	<hr/>

## 18 Pensions

The group manages two defined contribution pension schemes and contributes to directors personal pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension charge in respect of both schemes amounted to £308,000 (2009 - £324,000). Contributions amounting to £8,000 (2009 - £46,000) were payable to the funds and are included in creditors.

## 19 Share capital

	2010 £'000	2009 As restated £'000
<i>Allotted and called up</i>		
Ordinary A shares of £0.10 each (fully paid)	1,867	1,867
Ordinary B shares of £0.10 each (fully paid)	371	371
Ordinary C shares of £0.20 each (partly paid)	253	253
	<hr/>	<hr/>
	2,491	2,491
	<hr/>	<hr/>

All shares have equal rights except that

The B shareholders only have first refusal to purchase any B shares that become available,

The C shares carry the right through a "ratchet mechanism" to a greater equity participation in certain circumstances.

In the prior year £252,000 of the Ordinary C shares were classified as unpaid called-up share capital and included within other debtors. In the current year the treatment of these shares has been revised to reflect their partly paid, but not called up, status and therefore Ordinary C share capital has been restated from £505,000 to £253,000.

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 20 Reserves

### Group

	Profit and loss account £'000
At 1 September 2009	7,112
Profit for the year	4,671
	<hr/>
At 31 August 2010	11,783
	<hr/>

### Company

	Profit and loss account £'000
At 1 September 2009	536
Loss for the year	(1,011)
	<hr/>
At 31 August 2010	(475)
	<hr/>

## 21 Reconciliation of movements in shareholders' funds

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Profit/(loss) for the year	4,671	3,369	(1,011)	2,932
Opening shareholders' funds	9,603	6,234	3,027	95
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	14,274	9,603	2,016	3,027
	<hr/>	<hr/>	<hr/>	<hr/>

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 22 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases relating to vehicles and equipment as set out below

	Other 2010 £'000	Other 2009 £'000
Operating leases which expire		
Within one year	14	36
In two to five years	27	28
	<u>41</u>	<u>64</u>

## 23 Commitments

At the year end the group had forward contracts to purchase raw materials. The contracts had an aggregate value of approximately £9.1 million (2009 - £6.4 million) with expiry dates mostly within six months of the year end date.

## 24 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	9,814	7,755
Exceptional items included in operating profit	590	-
Operating profit before exceptional items	<u>10,404</u>	<u>7,755</u>
Amortisation of intangible fixed assets	151	151
Depreciation of tangible fixed assets	1,172	1,199
Decrease/(increase) in stocks	1,354	(1,139)
Increase in debtors	(1,729)	(1,158)
(Decrease)/increase in creditors	(3,381)	12
	<u>7,971</u>	<u>6,820</u>
Cash outflow relating to exceptional items	(505)	-
Net cash inflow from operating activities	<u>7,466</u>	<u>6,820</u>

# Big Bear Group Plc

Notes forming part of the financial statements  
for the year ended 31 August 2010 (*continued*)

## 25 Reconciliation of net cash flow to movement in net debt

	2010 £'000	2009 £'000
Decrease in cash	(451)	(5,168)
Cash inflow from changes in debt	3,248	5,650
	<u>          </u>	<u>          </u>
Movement in net debt	2,797	482
Opening net debt	(27,497)	(27,979)
	<u>          </u>	<u>          </u>
Closing net debt	(24,700)	(27,497)
	<u>          </u>	<u>          </u>

## 26 Analysis of net debt

	At 1 September 2009 £'000	Cash flow £'000	Other non- cash items £'000	At 31 August 2010 £'000
Cash at bank and in hand	541	(451)	-	90
Debt due within one year	(2,918)	3,132	(3,000)	(2,786)
Debt due after one year	(24,947)	(57)	3,000	(22,004)
Finance leases	(173)	173	-	-
		<u>          </u>		
		3,248		
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	(27,497)	2,797	-	(24,700)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>