

Company registered no: 08266800

Hancocks Midco Limited
Annual report and financial statements
for the year ended 31 December 2014



Hancocks Midco Limited

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Hancocks Midco Limited

Board of directors and advisers

Directors

MA Watson
S Gilbert
PHL Kalverboer
JF Summerley
RJ Garner

Company number

08266800

Registered office

25 Jubilee Drive
Loughborough
Leicestershire
LE11 5TX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Hancocks Midco Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report for the year ended 31 December 2014.

Principal activities

The company acts as an intermediate holding company for a group with a principal trade of cash and carry confectionery wholesaling through a national network of depots and its central bulk delivery service.

Business review

The loss for the financial year after taxation amounts to £2,004,362 (2013: £2,008,975). At 31 December 2014 the company had net liabilities of £3,831,384 (2013: £1,827,022). This reflects the group funding structure and interest incurred by the company. The Hancocks Topco group has recorded a profit and has net assets.

Key performance indicators ("KPIs")

Given the nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The management of the business and the execution of the company's and group's strategy are subject to a number of risks and these are disclosed in the financial statements of Hancocks Topco Limited. The key business risk faced by the company is the impact of any factors affecting the financial performance of the company's subsidiaries and hence the value of the company's investment in these.

On behalf of the board



RJ Garner
Director
21 May 2015

Hancocks Midco Limited

Directors' report for the year ended 31 December 2014

The directors present their report and the audited financial statements for the year ended 31 December 2014.

Dividends

During the year the directors did not recommend the payment of any dividends (2013: nil).

Future developments

There are no plans to make any changes to the activity or funding operations of the company as an intermediate holding company within the foreseeable future. The group have plans and aspirations to develop the trading businesses through a further widening of the product range, customers and markets and ultimately to realise the investment in the subsidiaries.

Directors

The directors who held office during the year and subsequently were:

MA Watson
S Gilbert
PHL Kalverboer
JF Summerley
RJ Garner

Financial risk management

The company holds an investment in and has advanced loans to a subsidiary undertaking funded by a combination of shareholder loans and intercompany finance. External finance is managed by the group as a whole and, as part of this, the company is primarily financed by a shareholder loan at fixed rates of interest. Realisation of the investment depends on performance of the trading subsidiaries and this is monitored by the directors and by group management as a whole in order to respond to changes in the market and maintain product development.

Going concern

The loss for the year and net liabilities are a result of rolled up interest which is not payable in the short term. The company has also received confirmation of support from the Hancocks Topco Limited group which has forecast trading cash inflows and facilities in place considered sufficient to meet the group's obligations as they fall due.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Hancocks Midco Limited

Directors' report for the year ended 31 December 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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.

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.

On behalf of the board



RJ Garner
Director
21 May 2015

Hancocks Midco Limited

Independent auditors' report to the members of Hancocks Midco Limited

Report on the financial statements

Our opinion

In our opinion, Hancocks Midco Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

Hancocks Midco Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Hancocks Midco Limited

Independent auditors' report to the members of Hancocks Midco Limited (Continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 4, 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

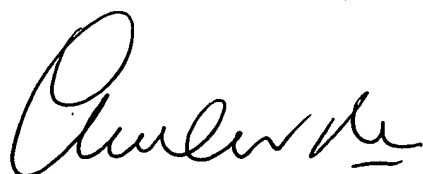
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andrew Mair (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
21 May 2015

Hancocks Midco Limited

Profit and loss account for the year ended 31 December 2014

	Note	Year ended 31 December 2014	Period ended 31 December 2013
		£	£
Operating costs	2	<u>(13)</u>	<u>(2,080)</u>
Operating loss		(13)	(2,080)
Interest receivable and similar income	6	252,408	252,279
Interest payable and similar charges	6	<u>(2,256,757)</u>	<u>(2,259,174)</u>
Loss on ordinary activities before taxation	3	(2,004,362)	(2,008,975)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
Loss for the financial year/period	12	<u>(2,004,362)</u>	<u>(2,008,975)</u>

The results presented are all derived from continuing activities and the comparatives represent the period from the acquisition of the Hancocks Group on 16 November 2012 to 31 December 2013.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year/period stated above and their historical cost equivalents.

There are no recognised gains or losses other than those stated above.

Hancocks Midco Limited

Balance sheet as at 31 December 2014

	Note	2014 £	2013 £
Fixed assets			
Investments	8	17,887,027	17,634,619
Current liabilities			
Creditors: amounts falling due within one year	9	<u>(314,717)</u>	<u>(314,704)</u>
Net current liabilities		<u>(314,717)</u>	<u>(314,704)</u>
Total assets less current liabilities		17,572,310	17,319,915
Creditors: amounts falling due after more than one year	10	<u>(21,403,694)</u>	<u>(19,146,937)</u>
Net liabilities		<u><u>(3,831,384)</u></u>	<u><u>(1,827,022)</u></u>
Capital and reserves			
Called up share capital	11	181,953	181,953
Profit and loss account	12	<u>(4,013,337)</u>	<u>(2,008,975)</u>
Total shareholders' deficit	13	<u><u>(3,831,384)</u></u>	<u><u>(1,827,022)</u></u>

These financial statements on pages 7 to 14 were approved by the board of directors on 21 May 2015 and were signed on its behalf by:



RJ Garner
Director

Registered number: 08266800

Hancock Midco Limited

Notes to the financial statements for the year ended 31 December 2014

1. Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006 under the historical cost accounting rules.

Notwithstanding the loss for the year and net liabilities, the directors are satisfied that the going concern basis is appropriate as the company has received confirmation of support from the Hancocks Topco Limited group which has forecast trading cash inflows and facilities in place considered sufficient to meet the group's obligations as they fall due.

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised 1996), 'Cash Flow Statements' to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Hancocks Topco Limited, and its cash flows are included within the consolidated cash flow statement of that company.

The company has undertaken the exemption from the requirement to prepare consolidated financial statements under the Companies Act 2006 since it is a wholly owned subsidiary included in the consolidated financial statements of Hancocks Topco Limited.

As a wholly owned subsidiary of Hancocks Topco Limited, the company has also taken advantage of the exemption contained in the Financial Reporting Standard No 8, 'Related party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the wholly owned group.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental acquisition expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Financial instruments

Financial instruments are recorded initially at cost. Loans and receivables/payables are subsequently measured at amortised cost. These are included in current assets/liabilities except for instruments that mature after more than 12 months which are included in non-current assets/liabilities. The initial issue costs directly incurred in obtaining loan finance are deducted from the loan liability and charged to the profit and loss account over the terms of the loan in proportion to the outstanding liability.

Taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes that have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard No 19, 'Deferred Tax'. It is measured at the rate of tax that has been substantively enacted at the balance sheet date which is expected to apply when differences reverse.

Hancocks Midco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Operating costs

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Other operating charges	13	2,080
	<u>13</u>	<u>2,080</u>

3. Loss on ordinary activities before taxation

This is stated after charging:

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Auditors' remuneration (borne by another group company)		
Audit	1,000	2,000
Other services relating to tax	1,500	1,500
	<u>2,500</u>	<u>3,500</u>

4. Directors emoluments

The directors are not remunerated for their services to the company and their emoluments in respect of the group are shown in the parent company financial statements.

5. Staff numbers

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

	Year ended 31 December 2014 Number	Period ended 31 December 2013 Number
Management	<u>5</u>	<u>5</u>

Hancocks Midco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

6. Interest

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Interest receivable from group undertakings	<u>252,408</u>	<u>252,279</u>
Loan interest payable	1,973,565	1,972,559
Interest payable to group undertakings	252,408	252,279
Amortisation of loan issue costs	<u>30,784</u>	<u>34,336</u>
	<u>2,256,757</u>	<u>2,259,174</u>

7. Tax on loss on ordinary activities

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Current tax		
UK corporation tax on loss for the year/period	<u>-</u>	<u>-</u>

Factors affecting the tax credit for the year/period

The current tax credit for the year/period is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.3%). The differences are explained below:

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Loss on ordinary activities before taxation	<u>(2,004,362)</u>	<u>(2,008,975)</u>
Loss on ordinary activities before taxation at 21.5% (2013: 23.3%)	<u>(430,938)</u>	<u>(468,091)</u>
Effects of		
Interest not deductible for tax purposes	254,509	275,764
Group relief surrendered and not paid for	<u>176,429</u>	<u>192,327</u>
Total current tax credit	<u>-</u>	<u>-</u>

The Finance Act in July 2013 reduced UK corporation tax to 21% from April 2014 and to 20% by April 2015.

Hancocks Midco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

8. Investments

	Loan to subsidiary undertaking £	Investment in subsidiary undertakings £	Total £
Cost and net book value			
At 1 January 2014	2,202,666	15,431,953	17,634,619
Interest on loan	252,408	-	252,408
At 31 December 2014	2,455,074	15,431,953	17,887,027

Principal subsidiary undertaking	Country of registration	Principal activity	Class of shares held	% share holding
Hancocks Acquisition Limited	England	Intermediate holding company	Ordinary	100%
Hancocks Group Holdings Limited*	England	Intermediate holding company	Ordinary	100%
Hancocks Holdings Limited*	England	Intermediate holding company	Ordinary	100%
Hancock Cash & Carry Limited*	England	Confectionery cash and carry	Ordinary	100%
World of Sweets Limited*	England	Confectionery wholesale	Ordinary	100%
JTS Holdings Limited*	England	Confectionery wholesale	Ordinary	100%
JTS (International) Limited*	England	Confectionery wholesale	Ordinary	100%

*indicates indirect holding.

Investments include a loan to Hancocks Acquisition Limited of £1,950,387 plus rolled up interest of £504,686 (2013: £252,279). The loan is in the form of 11% fixed rate unsecured loan notes with a maturity date of December 2022. The directors consider that the carrying value of the investments is supported by their underlying assets and trading prospects.

9. Creditors: amounts falling due within one year

	2014 £	2013 £
Amounts owed to group undertakings	<u>314,717</u>	<u>314,704</u>

Amounts owed to group undertakings within current liabilities are interest free and have no fixed repayment dates

Hancocks Midco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

10. Creditors: amounts falling due after more than one year

	2014	2013
	£	£
Other loans	18,948,620	16,944,271
Amounts owed to group undertakings	2,455,074	2,202,666
	<u>21,403,694</u>	<u>19,146,937</u>

A loan of £15,250,000 advanced by an H2 Capital fund bears interest at 11% and is stated together with aggregate rolled up interest of £3,946,124 (2013: £1,973,000) and net of unamortised issue costs of £247,504 (2013: £278,288). It is repayable in full on the earlier of an exit or 31 December 2022.

Amounts owed to group undertakings are 11% fixed rate unsecured loan notes including rolled up interest with a maturity date of December 2022.

11. Called up share capital

	2014	2013
	£	£
Allotted and fully paid		
181,953 (2013: 181,953) Ordinary shares of £1 each	<u>181,953</u>	<u>181,953</u>

12. Profit and loss account

	£
At 1 January 2014	(2,008,975)
Loss for the financial year	(2,004,362)
At 31 December 2014	<u>(4,013,337)</u>

13. Reconciliation of movement in shareholders' deficit

	2014	2013
	£	£
Opening shareholders' deficit	(1,827,022)	-
Issue of share capital	-	181,953
Loss for the financial year/period	(2,004,362)	(2,008,975)
Closing shareholders' deficit	<u>(3,831,384)</u>	<u>(1,827,022)</u>

14. Contingent liabilities

The company has given guarantees and its assets are secured by fixed and floating charges in respect of £21.4m (2013: £23.9m) of group borrowings.

Hancocks Midco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

15. Ultimate parent company and controlling parties

The immediate and ultimate parent undertaking is Hancocks Topco Limited, registered in England and Wales.

Copies of the consolidated financial statements of Hancocks Topco Limited, which is the only group company to prepare consolidated financial statements, can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff.

H2 Equity Partners manages the interests of the investing H2 Equity funds, which hold the majority of the shares in the ultimate parent company, and is represented on the board of the company.