Parent company of Horrocks Midco Limited - 03266300

Company registered no: 09990469

IB Group Ltd

Annual report and financial statements

for the year ended 31 December 2017

IB Group Ltd

Contents

IB Group Ltd

Board of directors and advisers

Chairman
R Rose

Directors
W Beedle
S Foster

Company number
09990469

Registered office
25 Jubilee Drive
Loughborough
Leicestershire
LE11 5TX

Independent auditor
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
2 Broadfield Court
Sheffield
S8 0XF

IB Group Ltd

Chairman's statement

I joined the Board of IB Group Ltd in early 2018 and with my experience in wholesale and retail I could see the business had a real opportunity to strengthen itself through further developing its strategy and brilliant customer service.

The business is a market leader in distributing confectionery and snacks. It has over 50,000 customers, whom are serviced by very successful van and parcel sales services, as well as a network of cash & carries and wholesale distribution. With a widely known range of its own brands and a committed and enthusiastic management team, there is a solid base from which to build and pursue an exciting strategy.

The Group grew out of the acquisition of Hancocks Topco Limited by IB Group Ltd in April 2017. The combination has created a business of scale and expertise, with a strength in servicing the independent and convenience channels and an ability to source great products both locally and internationally.

The combined business has had a challenging first year, incurring significant restructuring costs that were borne out of merging the respective management teams, coupled with a challenging and uncertain trading environment, impacted by Brexit. During this period, it was pleasing to know that the lenders, Och Ziff and RBS, supported management and the company.

In early 2018 a strategic review was completed by the Management Team and presented to the Board. In my opinion, it is a first-class strategy that I believe will transform the business for the benefit of the customers, and as such grow value for the shareholders.

With the clear strategy the main shareholders and Och Ziff recognised that the group's potential would be best fulfilled under the ownership of Och Ziff managed funds and the continuing key management team. This was agreed in April 2018.

Since the change of ownership, Och Ziff and management have worked extensively on the long-range plans resulting in Och Ziff agreeing to reduce cash paid interest and lower overall group leverage; demonstrating its support of the business. This restructure was completed in September 2018.

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
25 September 2018

IB Group Ltd

Strategic report
for the year ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

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. The new larger Innovative Bites 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 further widening of the product range, customers and markets including increased geographical coverage from new depot openings and selected acquisition opportunities.

The group achieved turnover of £149m following the acquisition of the Hancocks group and recorded a loss before taxation of £7.0m for the year ended 31 December 2017 (2016: £44m and a profit before taxation of £4.3m as restated) as a result of significant non-recurring costs in the year and the increased amortisation of goodwill. Trading was also impacted by foreign exchange movements and increased product costs.

The group had net assets of £2.2m at 31 December 2017 (2016: £7.2m) and net current assets of £0.7m (2016: £4.7m). A dividend of £1.5m had been recorded in the 2016 consolidated financial statements without the appropriate consideration of timing of relevant accounts and documentation being made and the dividend has now been reversed as a prior year adjustment with a provision made resulting in no net impact on 2016 net assets (see note 19).

Group operating cash flows for the year after taxation and capital expenditure resulted in a £3.8m inflow. This was used together with a net £49.2m inflow from financing to fund £48.3m in respect of acquisitions and £5.3m to service bank interest payments resulting in a £0.6m overall outflow.

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 2017 and 2016 after adjustment for non-recurring costs. 2017 earnings were used to service bank interest payments.

	2017	2016
	£'000	£'000
Turnover (12 months)	**149,093**	43,590
Operating profit	**1,217**	4,462
Exceptional non recurring fees and costs*	**2,632**	1,500
Amortisation and depreciation	**6,426**	808
Adjusted EBITDA	**10,275**	6,770

* Non recurring costs relate to a £0.4m revolving bank facility fee, £0.15m provision against loans, £1.8m of professional consultancy, financial review and legal fees in respect of the loan facilities, management and ownership structure and £0.3m of restructuring costs (2016: £1.5m provision against related party 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.

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 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.

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
25 September 2018

Directors' report
for the year ended 31 December 2017

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

Results and dividends

The loss for the financial year amounted to £6.7m (2016: profit of £3.1m as restated). The directors do not recommend the payment of a dividend (2016: £nil as restated). A dividend of £1.5m had been recorded in the 2016 consolidated financial statements without the appropriate consideration of timing of relevant accounts and documentation being made and has now been reversed as a prior year adjustment (detailed impact disclosed in note 19).

Matters included in the strategic report

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:

W Beedle (appointed 12 April 2017, resigned 11 July 2017, reappointed 23 April 2018)
S Foster (appointed 12 April 2017, resigned 11 July 2017, reappointed 23 April 2018)
V Madhu (resigned 23 April 2018)
N Madhu (appointed 10 February 2017, resigned 23 April 2018)
J Summerley (appointed 12 April 2017, resigned 11 July 2017)

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 September 2018 the groups' bank loan of £105.7m loan was split into two separate loans with no change to interest rate. £55.5m of bank loans with quarterly cash paid interest starting in October 2019, and £50.2m of Shareholder Loan Note with capitalised interest only. This significantly increases the cash resources for working capital and investment in the business.

The new 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 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.

Directors' report
for the year ended 31 December 2017 (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 Strategic Report, Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 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 comprising FRS 102 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.

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:

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

Independent auditor

Shipleys LLP have resigned as auditor and Grant Thornton UK LLP were appointed. 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
25 September 2018

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 2017 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 2017 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.

Who we are reporting to

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.

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.

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

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the 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 set out on page 6, 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.

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
26 September 2018

IB Group Ltd

Consolidated profit and loss account for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000 as restated
Turnover	3	**149,093**	43,590
Cost of sales		**(111,208)**	(29,616)
Gross profit		**37,885**	13,974
Distribution costs	1	**(3,773)**	-
Administrative expenses		**(32,895)**	(9,512)
Operating profit and profit before interest and taxation	4	**1,217**	4,462
Interest receivable and similar income	7	**1**	4
Interest payable and similar charges	7	**(8,198)**	(182)
Net interest expense	7	**(8,197)**	(178)
(Loss)/profit before taxation		**(6,980)**	4,284
Tax on (loss)/profit	8	**318**	(1,181)
(Loss)/profit for the financial year		**(6,662)**	3,103

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. Details of the prior year restatement are included in note 19.

IB Group Ltd

Consolidated balance sheet as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	9	92,899	5,828
Tangible assets	10	9,989	1,151
		102,888	6,979
Current assets			
Inventories	12	17,683	3,695
Debtors	13	20,220	7,399
Cash at bank and in hand		4,341	4,902
		42,244	15,996
Creditors: amounts falling due within one year	14	(41,524)	(11,278)
Net current assets		720	4,718
Total assets less current liabilities		103,608	11,697
Creditors: amounts due after more than one year	15	(101,428)	(4,377)
Provisions for other liabilities	17	-	(78)
Net assets		2,180	7,242
Capital and reserves			
Called up share capital	18	-	-
Share premium account	18	1,600	-
Retained earnings		580	7,242
Total equity		2,180	7,242

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 25 September 2018 and were signed on its behalf by:

S Foster
Director

IB Group Ltd **Registered number: 09990469**

IB Group Ltd

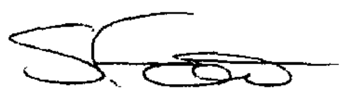
Company balance sheet as at 31 December 2017

	Note	2017 £'000	2016 £'000 restated
Fixed assets			
Investments	11	-	-
		-	-
Current assets			
Debtors	13	1,329	7,085
Cash at bank and in hand		1	90
		1,330	7,175
Creditors: amounts falling due within one year	14	-	(3,020)
Net current assets		1,330	4,155
Total assets less current liabilities		1,330	4,155
Creditors: amounts falling due after more than one year	15	-	(4,375)
Net assets/(liabilities)		1,330	(220)
Capital and reserves			
Called up share capital	18	-	-
Share premium account	18	1,600	-
Retained earnings		(270)	(220)
Total equity		1,330	(220)

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 £50,000 (2016: restated loss of £220,000).

The notes on pages 14 to 34 form part of these financial statements. Details of the prior year restatement are included in note 19.

These financial statements on pages 9 to 34 were approved by the board of directors on 25 September 2018 and were signed on its behalf by:



S Foster
Director

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

Consolidated	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2016 (under merger accounting)	-	-	4,139	4,139
Profit for the financial year and total comprehensive income (previously stated profit of £4,603,000)	-	-	3,103	3,103
Dividends previously reported	-	-	(1,500)	(1,500)
Reversal of dividends (see note 19)	-	-	1,500	1,500
As at 31 December 2016 and 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	-	**1,600**	**580**	**2,180**

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

Company	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
On incorporation	-	-	-	-
Loss for the financial period and total comprehensive income (previously stated profit of £1,530,000)	-	-	(220)	(220)
Dividends	-	-	(1,500)	(1,500)
Reversal of dividends (see note 19)			1,500	1,500
As at 31 December 2016 and 1 January 2017 as restated (previously stated as £30,000)	-	-	**(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	-	**1,600**	**(270)**	**1,330**

The notes on pages 14 to 34 form part of these financial statements. Details of the prior year restatement are included in note 19.

IB Group Ltd

Consolidated cash flow statement for the year ended 31 December 2017

	Note	2017	2016 restated
		£'000	£'000
Net cash from operating activities	23	**5,311**	3,489
UK corporation tax paid		**(658)**	(957)
		4,653	2,532
Cash flow from investing activities			
Interest received		**1**	4
Purchase of subsidiaries (net of cash acquired)	9	**(48,313)**	(6,898)
Purchase of tangible assets		**(890)**	(666)
Purchase of intangible fixed assets		**(42)**	(10)
Proceeds from disposal of tangible assets		**132**	-
Net cash utilised in investing activities		**(49,112)**	(7,570)
Financing			
Issue of share capital		**-**	-
Interest paid		**(5,298)**	(182)
Bank loans advanced		**105,700**	6,125
Revolving facility advanced		**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)**	(271)
Loan issue costs paid		**(5,096)**	-
Hire purchase payments		**-**	7
Net cash generated from financing activities		**43,898**	5,679
(Decrease)/increase in cash in the financial year		**(561)**	641

The notes on pages 14 to 34 form part of these financial statements. Details of the prior year restatement are included in note 19.

Non-cash movements

Non-cash changes were the amortisation of issue costs within interest payable of £672,000 in the year and £1,600,000 of share capital subscribed for by the roll over of consideration for the Hancocks group into the new IB Group.

Notes to the financial statements
for the year ended 31 December 2017

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 adopted 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. In September 2018 the groups' bank loan of £105.7m loan was split* into two separate loans with no change to interest rate. £55.5m of bank loans with quarterly cash paid interest starting in October 2019, and £50.2m of Shareholder Loan Note with capitalised interest only. This significantly increases the cash resources for working capital and investment in the business. The new 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.

Notes to the financial statements for the year ended 31 December 2017 (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.

Notes to the financial statements for the year ended 31 December 2017 (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.

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.

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. 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 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.

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.

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

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.

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.

2 Critical accounting judgements and estimation uncertainty (continued)

Impairment of intangible assets and goodwill

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

Inventory provision

The group is a national confectionary wholesaler and is therefore subject to seasonality of products. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying the assumptions around anticipated saleability of finished goods. See note 12 for the net carrying amount of the inventory and associated provision.

Taxation

The deduction of interest for corporation tax computations is subject to revised rules and thresholds particularly where parties are related. Management have judged that for the periods to the balance sheet date 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 guidance.

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 and reviewed at the end of each reporting period. Amounts are held within debtors and these are maintained for a period of three full years following the year to which the claim relates in line with industry guidance.

3 Turnover

Turnover by destination is analysed as follows:	2017	2016
	£'000	£'000
Within the UK	139,231	40,678
Overseas markets including Republic of Ireland	9,862	2,912
	149,093	43,590

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 2017 (continued)

4 Operating profit

Operating profit is stated after charging/(crediting):	2017	2016
	£'000	£'000
Wages and salaries	12,644	2,957
Social security costs	1,161	299
Other pension costs	314	18
Total staff costs	14,119	3,274
Profit on disposal of tangible assets	(14)	-
Inventory write offs	647	-
Inventory recognised as an expense	111,214	29,616
Depreciation of tangible assets	1,301	331
Amortisation of goodwill	5,052	473
Amortisation of other intangible assets	73	4
Operating lease charges – plant and equipment	1,838	49
Operating lease charges - other	529	
Forward contract derivative unrealised losses in cost of sales	112	-
Other foreign exchange losses	179	135
Bad debt expense write offs	168	178
Exceptional restructuring and financing related expenses	2,632	1,500
Fees payable to auditor (Grant Thornton UK LLP for 2017, Shipleys LLP for 2016) for the audit of the parent company and consolidated financial statements	15	1
Fees payable to the company's auditor for other services:		
The audit of the Company's subsidiaries	85	17
Tax compliance	-	1

Exceptional non recurring costs relate to a £0.4m revolving bank facility fee, £0.15m provision against loans, £1.8m of professional consultancy, financial review and legal fees in respect of the loan facilities, management and ownership structure and £0.3m of restructuring costs (2017: £1.5m provision against related party 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 2017. 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 24 September 2018.

Notes to the financial statements for the year ended 31 December 2017 (continued)

5 Directors emoluments

	2017 £'000	2016 £'000
Aggregate directors' remuneration	214	189
Company contributions to money purchase pension scheme	10	-
	224	189
Number of directors who are:		
Members of money purchase pension scheme	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:

	2017 Number	2016 Number
Management and administration	125	102
Sales and distribution	403	77
	528	179

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

7 Net interest expense

	2017 £'000	2016 £'000
Bank interest receivable	1	4
Interest receivable and similar income	1	4
Bank interest payable and similar charges	(7,524)	(182)
Other interest payable	(2)	-
Amortisation of loan issue costs	(672)	-
Interest payable and similar charges	(8,198)	(182)
Net interest expense	(8,197)	(178)

Notes to the financial statements
for the year ended 31 December 2017 (continued)

8 Tax on (loss)/profit

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax on (loss)/profit for the financial year	(250)	1,256
Adjustments in respect of prior periods	-	(75)
Total current tax	(250)	1,181
Deferred tax:		
Origination and reversal of timing differences	(68)	-
Total deferred taxation (note 17)	(68)	-
Total tax on (loss)/profit	(318)	1,181

The tax (credit)/charge for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained as follows:

	2017 £'000	2016 £'000
(Loss)/profit before taxation	(6,980)	4,284
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK at 19.25% (2016: 20%)	(1,344)	857
Effects of:		
Goodwill amortisation not deductible	973	95
Expenditure not deductible for tax purposes	87	304
Movement in unrecognised deferred tax	(24)	-
Prior year adjustments	-	(75)
Tax rate differences	(10)	-
Total tax (credit)/charge	(318)	1,181

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.

9 Intangible fixed assets

Group

	Software costs	Licences and trademarks	Goodwill	Total
Cost	£'000	£'000	£'000	£'000
At 1 January 2017	-	88	6,358	6,446
Additions	-	42	-	42
On acquisition of subsidiary	242	-	91,912	92,154
At 31 December 2017	**242**	**130**	**98,270**	**98,642**
Accumulated amortisation				
At 1 January 2017	-	36	582	618
Charge for the year	63	10	5,052	5,125
At 31 December 2017	**63**	**46**	**5,634**	**5,743**
Net book value				
At 31 December 2017	**179**	**84**	**92,636**	**92,899**
At 31 December 2016	-	52	5,776	5,828

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

9 Intangible fixed assets (continued)

On 12 April 2017, the group acquired all of the shares in Hancocks Topco Limited, a wholesale confectionery business distributing nationally to independent stores and selling through cash and carry depots. The goodwill arising of £91.9m is attributable to the existing customer and product range of the Hancocks businesses together with the synergies achievable from a larger overall group in the sector. The goodwill is being amortised over its expected useful life of 15 years reflecting the products, nature and customer base of the businesses.

The transaction has been accounted for under the purchase method of accounting. The fair value adjustments relate to taxation up to the date of purchase and which have therefore not been recognised as tax credits within income in these financial statements. The purchase has been acquisition accounted. The assets and liabilities acquired are shown below:

	Book value	Fair value adjustments	Fair value
	£000	£000	£000
Tangible fixed assets	9,367	-	9,367
Intangible fixed assets	242	-	242
Inventories	14,022	-	14,022
Debtors	12,464	-	12,464
Cash	5,081	-	5,081
Creditors	(28,350)	-	(28,350)
Corporation tax	301	463	764
Borrowings	(54,702)	-	(54,702)
Deferred taxation	(692)	802	110
	(42,267)	**1,265**	**(41,002)**
Goodwill			91,912
			50,910
Consideration settled by:			
Cash paid to vendors			48,085
Consideration rolled over into IB Group shares			1,600
Acquisition expenses			1,225
			50,910

Cash paid for acquisitions in the year comprises £44,229,000 (amounts paid to the vendors and acquisition expenses shown above net of cash acquired of £5,081,000) and £4,084,000 of deferred consideration paid in respect of Bobbys Foods Limited which was acquired in 2016 by Hancocks.

Hancocks Topco Limited and its subsidiaries contributed £106,639,000 of revenue to the consolidated profit and loss account, profit before tax of £4,478,000 and a profit after tax of £4,502,000.

The company has no intangible assets (2016: £nil).

10 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold property £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2017	-	388	2,713	3,101
Reclassification	-	(298)	298	-
Additions	-	55	835	890
On acquisition of subsidiaries	5,433	995	2,939	9,367
Disposals	-	-	(537)	(537)
At 31 December 2017	**5,433**	**1,140**	**6,248**	**12,821**
Accumulated depreciation				
At 1 January 2017	-	111	1,839	1,950
Reclassification	-	(109)	109	-
Charge for the year	84	60	1,157	1,301
Disposals	-	-	(419)	(419)
At 31 December 2017	**84**	**62**	**2,686**	**2,832**
Net book value				
At 31 December 2017	**5,349**	**1,078**	**3,562**	**9,989**
At 31 December 2016	-	277	874	1,151

The net book value of land included in freehold land and buildings was £1,462,000 (2016: £nil).

11 Investments

	Shares in group undertakings £000
Company	
Cost and net book value	
As at 1 January and 31 December 2017	-

Subsidiary undertakings	Principal activity	Class of shares held	% share holding
IB Midco Ltd*	Intermediate holding company	Ordinary	100%
Innovative Bites 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%
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 2017 (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.

12 Inventories

Group	2017	2016
	£'000	£'000
Finished goods	17,683	3,695

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

Inventories are stated after provisions for impairment of £832,000 (2016: £nil).

The company has no inventories (2016: £nil).

13 Debtors

Group	2017	2016
	£'000	£'000
Trade debtors	16,303	6,726
Derivative financial instrument (note 16)	152	-
Corporation tax recoverable	1,436	-
Deferred taxation asset (see note 17)	100	-
Other debtors, prepayments and accrued income	2,229	673
	20,220	7,399

Trade debtors are stated after provisions for impairment of £654,000 (2016: £nil).

Company	2017	2016 restated
	£'000	£'000
Amounts owed by group undertakings (see below)	1,290	7,046
Other debtors	39	39
	1,329	7,085

Details of the prior year restatement are included in note 19.

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 2017 (continued)

14 Creditors: amounts falling due within one year

Group	2017	2016
	£'000	£'000
Bank loans and overdrafts (note 15)	10,800	1,750
Obligations under hire purchase contracts	-	5
Trade creditors	20,337	4,034
Other taxation and social security	2,158	735
Corporation tax	870	1,106
Other creditors	598	1,229
Derivative financial instruments (note 16)	112	-
Accruals and deferred income	6,649	2,419
	41,524	11,278

Company	2017	2016
	£'000	£'000
Bank loans and overdrafts	-	1,750
Other creditors	-	1,229
Accruals and deferred income	-	41
	-	3,020

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Creditors: amounts falling due after more than one year

Group	2017	2016
Amounts falling due between one and five years	**£'000**	£'000
Bank loans (see below)	**101,428**	4,375
Obligations under hire purchase contracts	-	2
	101,428	4,377

The bank loan of £105,700,000 is stated net of unamortised issue costs of £4,272,000. The loan bears interest at 8.5% over LIBOR and is repayable in full on 12 April 2022. There is an interest rate cap in place with interest on £70.5m of the loan capped at 1% for LIBOR for 18 months and 2% for LIBOR for the following 18 months. Following the year end, in September 2018, the loan was split into two tranches with no interest payable for 12 months and then payable quarterly on £55.5m and with interest on the remaining £50.2m changed to a PIK basis and to be rolled up.

The group's financing facility includes a revolving credit facility of £15,000,000 to cover working capital and liquidity commitments of which £10,800,000 was utilised at 31 December 2017. 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.

At 31 December 2017 the company had a £nil (2017:£4,375,000) amount due after more than one year in respect of bank loans.

16 Financial instruments

Financial assets	2017	2016
	£'000	£'000
Financial assets measured at amortised cost	**21,157**	12,123
Financial assets measured at fair value	**152**	-
	21,309	12,123

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors. There is an interest rate cap in place as disclosed in note 15 and the £152,000 fair value of this derivative, which reflects the market cost of the instrument based on expected future interest rates, is included in debtors.

Financial liabilities	2017	2016
	£'000	£'000
Financial liabilities measured at amortised cost	**139,812**	12,585
Financial liabilities measured at fair value	**112**	-
	139,924	12,585

Financial liabilities measured at amortised cost comprise loans, trade creditors, other creditors and accruals.

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables, at 31 December 2017 these comprised a liability with a fair value of £112,000 (2016: £nil). At 31 December 2017 the outstanding contracts all mature within 6 months of the year end (2016: 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 the valuing the derivatives are the forward exchange rates for GBP:EUR and GBP:USD.

17 Provisions for other liabilities

Deferred taxation liability	**£'000**
At 1 January 2017	(78)
On acquisition of subsidiary	110
Profit and loss account (note 8)	68
At 31 December 2017	**100**

The deferred tax asset/(liability) recognised in the financial statements is as follows:

	2017	2016
	£'000	£'000
Accelerated capital allowances	**55**	(78)
Other timing differences	**45**	-
Deferred tax asset/(liability)	**100**	(78)

As at 31 December 2017 the group has a unrecognised deferred tax asset of approximately £600,000 (2016: £nil) 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% (2016: 17%).

Company

The company has no deferred tax asset or liability.

18 Called up share capital

Group and company	2017	2016
	£	£
Allotted and fully paid		
Nil ordinary shares of £1 each (2016: 102)	-	102
1,020,000 A ordinary shares of £0.00001 each	102	-
35,495 B1 ordinary shares of £0.0015 each	53	-
1,500 B2 ordinary shares of £0.0015 each	2	-
9,500 C ordinary shares of £0.001 each	10	-
	167	102

The ordinary shares of £1 each were converted into £0.00001 A ordinary shares in the year. On 12 April 2017, *35,495 B1 ordinary shares of £0.0015 each and 1,500 B2 ordinary shares of £0.0015 each* were issued at £43.249 per share resulting in a share premium of £1,599,945. 9,500 C ordinary shares of £0.001 each were issued at par.

A and B2 ordinary shares carry one voting right per share, B1 and C shares had no voting rights. The A shares were entitled to a priority dividend and thereafter all shares are entitled to a distribution on a return of capital. The A priority was not exercised and has been amended and removed post year end.

19 Prior year adjustment

A dividend of £1,500,000 had been recorded in the 2016 consolidated financial statements without the appropriate consideration of the timing of relevant accounts and documentation being made and has therefore been reversed as a prior year adjustment. The full realisation of the amounts paid and resulting debtor of £1,500,000 due to the group is subject to a degree of uncertainty including the timing of receipt and has therefore been provided against as an exceptional cost in 2016 within administrative expenses. In the company this applied to dividends received from the subsidiary of £1,750,000 as well as the dividend paid of £1,500,000 and the reversal of both has resulted in a decrease of £250,000 in amounts owed by group undertakings and a decrease in retained earnings of £250,000. The prior year cash flow has been adjusted to reflect the cash advanced to a director of £271,000 in the year and £1,229,000 of loan movements.

20 Capital and other commitments

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

Payment due date	2017	2016
	£'000	£'000
Not later than one year	2,557	805
Later than one year and not later than five years	5,236	2,994
Later than five years	5,986	1,430
	13,779	5,229

The company had no operating lease commitments (2016: £nil). The group and company had capital commitments of £nil at 31 December 2017 (2016: £nil).

21 Contingent liabilities

The company has given cross guarantees in respect of £116.5m (2016: £nil) of subsidiary company borrowings.

22 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 £314,000 (2016: £18,000). Contributions of £66,000 (2016: £nil) were included in creditors at 31 December 2017.

23 Net cash inflow

Reconciliation of (loss)/profit for the financial year to net cash inflow from operating activities:

	2017 £'000	2016 restated £'000
(Loss)/profit for the financial year	**(6,662)**	4,603
Adjustment for:		
Tax on profit	**(318)**	1,181
Net interest expense	**8,197**	178
Operating profit	**1,217**	5,962
Depreciation of tangible fixed assets	**1,301**	331
Amortisation of intangible fixed assets	**5,125**	478
(Profit) on sale of tangible fixed assets	**(14)**	-
Working capital movements:		
Decrease/(increase) in inventories	**34**	(1,493)
Decrease/(increase) in debtors	**1,483**	(4,772)
(Decrease)/increase in payables	**(3,835)**	2,983
Net cash inflow from operating activities	**5,311**	3,489

Details of the restatement are included in note 19.

24 Reconciliation of net debt

	At 1 January 2017	On acquisition	Cash flow	Non cash changes	At 31 December 2017
	£'000	£'000	£'000	£'000	£'000
Cash	4,902	-	(561)	-	**4,341**
Revolving credit facility	-	(5,801)	(4,999)	-	**(10,800)**
Bank loans	(6,125)	(32,409)	(62,245)	(649)	**(101,428)**
Other loans	-	(16,492)	16,492	-	-
Net debt	(1,223)	**(54,702)**	**(51,313)**	**(649)**	**(107,887)**

25 Related party transactions, ultimate parent company and controlling parties

V Madhu held the majority of the shares in the company and was therefore considered the ultimate controlling party at 31 December 2017. Och-Ziff Management Europe Limited manages the interests of the private investing funds, which subsequent to the year end, acquired and now control the majority of the shares in the company.

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 £563,000 (2016: £189,000).

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, a director and shareholder during the year and prior year (2016: £271,000).

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