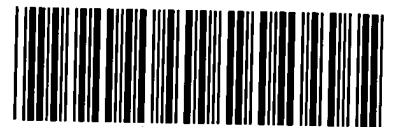


MPM BIDCO LIMITED

**Annual report and financial statements
from 8 March to 31 December 2016**

Registered number: 10049465

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Officers and Professional Advisers

DIRECTORS

Mr J Bambridge (appointed 17 March 2016)
Mr J Bracewell (appointed 17 March 2016)
Mr J R Kinsey (appointed 17 March 2016)
Mr P Thornton (appointed 17 March 2016)

REGISTERED OFFICE

Hurdsfield Industrial Estate
Hulley Road
Macclesfield
Cheshire
SK10 2LZ

BANKERS

HSBC Plc
4 Hardman Square
Spinningfields
Manchester
M3 3EB

SOLICITORS

Gordons LLP
Forward House
8 Duke Street
Bradford
BD1 3QX

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 Hardman Street
Manchester
M3 3HF

MPM BIDCO LIMITED

Strategic Report

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to MPM Bidco Limited and its subsidiary undertakings when viewed as a whole.

Review of the business

The Company was incorporated on 8 March 2016. The accounts have been prepared for the 299 day accounting period ended 31 December 2016.

On 17 March 2016 the Company's entire share capital was acquired by MPM Topco Limited. On the same date, the Company acquired the entire share capital of MPM Products Limited, with MPM Products Limited also acquiring the entire share capital of MPM Products USA Inc. These transactions formed the group of companies of which MPM Topco Limited is the ultimate parent company.

The Group's total turnover for the period ended 31 December 2016 was £38,148,000, reflecting the continued growth of the Group's brands. The Group has looked to build its competitive position through innovation and speed to market whilst establishing a deeper understanding of the key markets and customers supplied by the brands.

EBITDA of £3,218,000 reflects the growth in revenue and slight increase in Gross Margin within the main trading entities, MPM Products Limited and MPM Products USA Inc., whilst the Group maintained tight control over administrative expenses.

The Group's net liabilities position at period end is £3,604,000. The Group operates with asset-based lending facilities, and these facilities have grown to underpin the working capital needs of the Group.

The trading outlook remains positive given the Group's brands are well positioned in their respective markets and the consumer trend towards premium, natural products is expected to continue. The investment in people and systems has been maintained over the period and the team is well placed to take advantage of the opportunities being targeted.

Key performance indicators

The directors consider the key performance indicators of the Group to be turnover, EBITDA, operating cash flows and shareholders' funds, which are documented on pages 9 to 13. The KPI targets were achieved during the period, with future targets based around further growth.

Principal risks and uncertainties

Currency risk

A significant proportion of the Group's cost of sales is denominated in US Dollars whilst a significant proportion of revenues are denominated in Sterling, Australian Dollar and Euro currencies. The directors seek to mitigate this inherent currency risk by utilising hedging facilities together with a strategic focus on acquiring US Dollar denominated customers and Australian Dollar and Euro denominated suppliers to provide a natural hedge.

Interest rate risk

A significant proportion of the Group's debt instruments are held at fixed interest rates, which mitigates the risk of interest rate increases.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange and interest rates. The directors seek to mitigate the risk of adverse cash flows during expansion by cultivating a strong and open relationship with the Group's banking partner to ensure that significant credit lines are available. As noted above the Directors seek to mitigate this inherent currency risk by utilising hedging facilities together with a strategic focus on acquiring US Dollar denominated customers and Australian Dollar and Euro denominated suppliers to provide a natural hedge.

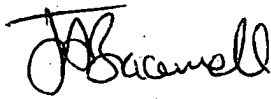
Strategic Report

Reputation risk

The directors seek to mitigate the risk to the reputation of the Group's brands and maintain the brands' positioning relative to the competition by continuing to invest in quality control, supply chain management and the development of new products within strict brand criteria.

Future developments

The directors expect the general level of activity to increase in the forthcoming year. This growth is expected to be generated by the continued increase in distribution of the Group's products in existing and new markets, leveraging the positioning of the Group's brands in their respective markets and the continued consumer trend towards premium, natural products.



J Bracewell

Director

21 April 2017

**Hurdsfield Industrial Estate
Hulley Road
Macclesfield
Cheshire
SK10 2LZ**

Directors' report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 31 December 2016.

Principal activity and business review

The principal activity of the Company is to provide management services to related parties. The Company was incorporated on 8 March 2016. The accounts have been prepared for the 299 day accounting period ended 31 December 2016.

The results for the period ended 31 December 2016 are disclosed on page 9. No dividends were paid or proposed during the period.

Future developments

Details of future developments can be found in the Strategic Report on pages 2 and 3 form part of this report by cross-reference.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 26 to the financial statements.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts to hedge these exposures.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

Directors' report (continued)

Dividends

The directors cannot recommend the payment of a dividend.

Directors

The directors who served the company during the period and thereafter are stated on page 1.

Going concern

The directors are fully aware of their duty to assess the company's going concern status and have attended to this with particular care in consideration of the current economic and industry outlook. The company has sufficient liquidity to confidently meet its financial liabilities and meet day-to-day cash requirements.

Having reviewed forecasts and projections, taking into account potential trading performance variations, the directors have concluded that the company has adequate resources to meet its liabilities for the foreseeable future and therefore the financial statements have been prepared accordingly on a going concern basis. Further details on the basis of preparation are given in note 1 to the financial statements.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

During the period Deloitte LLP were appointed as the company's auditors.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



J Bracewell

Director

21 April 2017

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of MPM Bidco Limited

We have audited the financial statements of MPM Bidco Limited for the period ended 31 December 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

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 2016 and of the Group's loss for the period 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.

Independent auditor's report to the members of MPM Bidco Limited (continued)

Opinion 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 period 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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Tim Grogan BSc, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, UK
21 April 2017

Consolidated profit and loss account
For the 299 day period ended 31 December 2016

	Note	2016 £'000
Turnover	3	38,148
Cost of sales		(22,018)
Gross profit		16,130
Administrative expenses		(16,467)
Other operating income	4	21
Operating loss		(316)
Finance costs (net)	5	(4,367)
Loss before taxation	6	(4,683)
Tax on loss	9	526
Loss for the financial period		(4,157)

The accompanying notes form an integral part of the financial statements.

All activity in the period is derived wholly from continuing operations.

**Consolidated statement of comprehensive income
For the 299 day period ended 31 December 2016**

	2016 £'000
Loss for the financial year	<u>(4,157)</u>
Currency translation difference on foreign currency net investments	<u>553</u>
Other comprehensive income	<u>553</u>
Total comprehensive loss	<u><u>(3,604)</u></u>

MPM BIDCO LIMITED

Consolidated balance sheet

At 31 December 2016

	Note	2016 £'000
Fixed assets		
Goodwill	10	13,434
Intangible assets	10	40,612
Tangible assets	11	339
Investments	12	107
		<hr/> 54,492
Current assets		
Stocks	14	9,085
Debtors	15	8,564
Cash at bank and in hand		899
		<hr/> 18,548
Creditors: Amounts falling due within one year	16	<hr/> (14,578)
Net current assets		<hr/> 3,970
Total assets less current liabilities		58,462
Creditors: Amounts falling due after more than one year	17	(55,036)
Provisions for liabilities		
Deferred taxation	19	(7,030)
Net liabilities		<hr/> (3,604)
Capital and reserves		
Called-up share capital	22	-
Profit and loss account	22	(4,157)
Retranslation reserve	22	553
Shareholders' deficit		<hr/> (3,604)

The accompanying notes form an integral part of the financial statements.

The financial statements of MPM Bidco Limited were approved by the board of directors and authorised for issue on 21 April 2017. They were signed on its behalf by:



Mr J Bracewell

Director

MPM BIDCO LIMITED**Company balance sheet**

At 31 December 2016

	Note	2016 £'000
Fixed assets		
Investments	12	50,200
		<u>50,200</u>
Current assets		
Debtors	15	939
Cash at bank and in hand		53
		<u>992</u>
Creditors: Amounts falling due within one year	16	(194)
Net current assets		<u>798</u>
Total assets less current liabilities		<u>50,998</u>
Creditors: amounts falling due after more than one year	17	(55,036)
Net liabilities		<u>(4,038)</u>
Capital and reserves		
Called-up share capital	22	-
Profit and loss account	22	(4,038)
		<u>(4,038)</u>
Shareholders' deficit		<u>(4,038)</u>

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company. The loss for the financial year dealt with in the financial statements of the parent Company was £4,038,000.

The financial statements of MPM Bidco Limited (registered number 10049465) were approved by the board of directors and authorised for issue on 21 April 2017. They were signed on its behalf by:



Mr J Bracewell

Director

MPM BIDCO LIMITED

Consolidated statement of changes in equity

At 31 December 2016

	Called-up share capital £'000	Profit and loss account £'000	Retranslation reserve £'000	Total £'000
At 8 March 2016	-	-	-	-
Total comprehensive loss	-	(4,157)	553	(3,604)
At 31 December 2016	-	(4,157)	553	(3,604)

Company statement of changes in equity

At 31 December 2016

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 8 March 2016	-	-	-
Loss for the financial period	-	(4,038)	(4,038)
Total comprehensive loss	-	(4,038)	(4,038)
At 31 December 2016	-	(4,038)	(4,038)

No final proposed dividend can be declared. Please see note 22.

MPM BIDCO LIMITED

Consolidated cash flow statement

For the 299 day period ended 31 December 2016

	Note	2016 £'000
Net cash flows from operating activities	23	(117)
Cash flows from investing activities		
Purchase of equipment		(187)
Purchases of intangible assets		(130)
Acquisition of subsidiary (note 13)		(42,641)
Cash acquired on acquisition of subsidiary		2,925
Net cash flows from investing activities		<u>(40,033)</u>
Cash flows from financing activities		
Interest paid on import loan		(59)
Overdraft facility interest		(23)
Import loan facility expense		(329)
Invoice discounting facility expense		(192)
Net repayment on bank loans and invoice financing		(1,604)
Proceeds from issue of loan notes		43,439
Net cash flows from financing activities		<u>41,232</u>
Net increase in cash and cash equivalents		<u>1,082</u>
Cash and cash equivalents at beginning of period		-
Effect of foreign exchange rate changes		(183)
Cash and cash equivalents at end of period		<u>899</u>

Notes to the financial statements

For the period from 8 March to 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

General information and basis of accounting

MPM Bidco Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Group has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

The functional currency of MPM Bidco Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired are consolidated for the periods from the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. More information can be found in note 13 to these financial statements.

Going concern

The financial statements have been prepared using the going concern basis of accounting.

The Group's banking facility comprises principally of a £6.0 million invoice finance line, and a £7.5 million import and export facility, forming part of a committed 3 year banking facility which expires in March 2019.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years. Provision is made for any impairment. The deferred tax benefit recognised on the intangible assets is included within the goodwill figure and amortised over the useful economic life of the intangible assets on which it is generated.

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

1. Accounting policies (continued)

Intangible assets (continued)

Research expenditure is written off as incurred. Development expenditure is also written off, except for where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Group is expected to benefit.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

Intangible fixed assets are stated at cost less impairments to date. Cost represents purchase price together with any incidental costs of acquisition.

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Trademarks	10% straight line
Website development	20% straight line
Brands	15 years straight line
Distribution contracts	15 years straight line

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Plant & machinery	33.3% per annum
Fixtures & fittings	10 – 50% per annum
Office equipment	33.3 – 50% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer; or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

In the Company balance sheet, investments in subsidiaries are measured at cost less impairment.

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

1. Accounting policies (continued)

Financial instruments (continued)

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(v) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(vi) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Note 21 sets out details of the fair values of the derivative instruments used for hedging purposes.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials and direct costs such as packaging and shipping. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

1. Accounting policies (continued)

Impairment of assets (continued)

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

1. Accounting policies (continued)

Taxation (continued)

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Revenue is recognised when the goods are despatched to the customer.

Cost of sales

Selling costs are an integral part of the Company's business and are therefore included in cost of sales.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

Leases

The Group as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

1. Accounting policies (continued)***Pension costs***

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. There is no liability to fund the scheme over and above the amount disclosed. The assets of the scheme are held separately from those of the company in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Stock valuation and provisioning

Judgement is required on the adequacy of stock valuation and provisioning. The assessment of estimated selling price can fluctuate as a result of market factors. Furthermore, estimation uncertainty exists from provision requirements for slow-moving inventory.

Impairment of investment in subsidiaries

The entity holds significant investments in subsidiaries where the carrying value requires annual assessment for impairment. Judgement therefore is required on the adequacy of impairment of financial assets.

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

3. Turnover

Turnover is attributable to the one principal activity of the company disclosed in the Directors Report.

The analysis of turnover by geographical market required by paragraph 68 of Schedule 1 to the Large and Medium-sized Companies and Groups (Financial Statements and Reports) Regulations which accompany the Companies Act 2006 has not been provided as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the company.

4. Other operating income

	2016 £'000
Other income	21
	<u>21</u>

5. Finance costs (net)

	2016 £'000
Interest payable on import loan	59
Overdraft facility interest	23
Interest payable on loan notes	4,038
Import loan facility expense	55
Invoice discounting facility expense	192
	<u>4,367</u>

6. Loss before taxation

Loss before taxation is stated after charging/(crediting):

	2016 £'000
Impairment of investments	16
Operating lease expense	92
Foreign currency exchange loss	301
Derivative asset fair value (gain) (note 21)	(156)
Depreciation of tangible fixed assets (note 11)	193
Amortisation of goodwill (note 10)	939
Amortisation of other intangible assets (note 10)	2,279
Cost of stock recognised as an expense	22,452
Impairment of stock recognised as an expense	184

The impairment of investments arose as a result of the assets carrying value being in excess of the expected return on investment.

Impairments of fixed assets and intangible assets and impairment of goodwill are included in administrative expenses.

Amortisation of intangible assets is included in administrative expenses.

Impairment of stock arose as a result of provision requirements for slow moving inventory.

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

6. Loss before taxation (continued)

The analysis of the auditor's remuneration is as follows:

	2016 £'000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	7
Fees payable to the company's auditor and its associates for other services to the Group	
The audit of the company's subsidiaries	29
Total audit fees	<u>36</u>
Taxation compliance services	9
Corporate finance services	80
Total non-audit fees	<u>89</u>

Fees payable to Deloitte LLP and its associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

No services were provided pursuant to contingent fee arrangements.

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2016 Number
Distribution	9
Administration	41
Senior management	6
Directors	2
	<u>58</u>

Their aggregate remuneration comprised:

	2016 £'000
Wages and salaries	2,561
Social security costs	207
Pension costs	63
	<u>2,831</u>

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

8. Directors' remuneration and transactions

	2016 £'000
Directors' remuneration	
Emoluments	326
Company contributions to money purchase pension schemes	8
	<u>334</u>

	Number
The number of directors who:	
Are members of a money purchase pension scheme	<u>2</u>

	2016 £'000
Remuneration of the highest paid director:	
Emoluments	150
Company contributions to money purchase schemes	<u>4</u>

Directors' advances, credits and guarantees

There were no transactions with directors during the year.

9. Tax on loss

The tax charge comprises:

	2016 £'000
Current tax on loss	
UK corporation tax	293
Total current tax	<u>293</u>
Deferred tax	
Origination and reversal of timing differences	(451)
Effect of changes in tax rates	(368)
Total deferred tax (see note 19)	<u>(819)</u>
Total tax on loss	<u>(526)</u>

Finance Act 2015 (No.2), which was substantively enacted in November 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. Deferred tax balances have been revalued to the lower rate of 17% in these accounts. There is no expiry date on timing differences, unused tax losses or tax credits.

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

9. Tax on loss (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2016 £'000
Group loss before tax	(4,683)
Tax on Group loss at standard UK corporation tax rate of 20 per cent	(855)
Effects of:	
- Expenses not deductible for tax purposes	698
- Changes in tax rates	(369)
Group total tax charge for period	(526)

10. Intangible fixed assets

	Website Development £'000	Trademark cost £'000	Goodwill £'000	Distribution Contracts £'000	Brands £'000	Total £'000
Cost						
At 8 March 2016	-	-	-	-	-	-
Assets acquired	125	74	14,373	1,700	40,900	57,172
Additions	69	61	-	-	-	130
At 31 December 2016	194	135	14,373	1,700	40,900	57,302
Amortisation						
At 8 March 2016	-	-	-	-	-	-
Assets acquired	20	18	-	-	-	38
Charge for the period	16	7	939	90	2,166	3,218
At 31 December 2016	36	25	939	90	2,166	3,256
Net book value						
At 31 December 2016	158	110	13,434	1,610	38,734	54,046
At 8 March 2016	-	-	-	-	-	-

The brand, which was purchased in 2016, is considered material to the Group. The carrying amount as at 31 December 2016 is £38,734,000 and the brand has an estimated remaining useful life of 14 years.

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

10. Intangible fixed assets (continued)

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years.

11. Tangible fixed assets

Group	Plant and machinery £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 8 March 2016	-	-	-	-
Assets acquired	499	177	231	908
Additions	89	49	49	187
At 31 December 2016	588	226	281	1,095
Depreciation				
At 8 March 2016	-	-	-	-
Assets acquired	308	112	144	563
Charge for the year	107	31	55	193
At 31 December 2016	415	143	198	756
Net book value				
At 31 December 2016	173	83	82	339
At 8 March 2016	-	-	-	-

12. Fixed asset investments

	Group	Company
	2016	2016
	£'000	£'000
Subsidiary undertakings	-	50,200
Other investments	107	-
Total	107	50,200

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

12. Fixed assets investments (continued)

Principal Group investments

The parent Company and the Group have investments in the following subsidiary undertakings, and other significant investments.

Subsidiary undertakings	Registered office	Principal activity	Holding	%
MPM Products Limited +	Hurdsfield Industrial Estate Hulley Road Macclesfield Cheshire SK10 2LZ	Pet food distributor	Ordinary Shares	100
MPM Products USA Inc.	125 Town Park Drive Suite 300 Kennesaw Georgia 30144 USA	Pet food distributor	Ordinary Shares	100
MPM Products Swiss Sarl	Chemin Frank Thomas 34, 1208 Geneve Switzerland	Pet food distributor	Ordinary Shares	100

+ Held directly by MPM Bidco Limited.

The Group also holds investments in Limited Liability Partnerships.

Other investment

	Group Other investments £'000
Carrying value before impairment	
At 8 March 2016	-
Assets acquired	211
At 31 December 2016	211
Provisions for impairment	
At 8 March 2016	-
Assets acquired	88
Written off	16
At 31 December 2016	104
Carrying value at 31 December 2016	107

Other investments are held at cost less impairment because their fair value cannot be measured reliably.

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

13. Acquisition of subsidiary undertaking

On 17 March 2016 the Company's issued share capital was 100 per cent acquired by MPM Topco Limited, for consideration comprising the issue of 1 ordinary share of £1 each in the Company. The fair value of the total consideration was £1. On the same day, MPM Bidco Limited acquired 100 per cent of the issued share capital of MPM Products Limited. MPM Products Limited also acquired the entire share capital of MPM Products USA Inc. on the same day.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £'000	Fair value adjustments £'000	Fair value to Group £'000
Fixed assets			
Intangible	161	42,600	42,761
Tangible	345	-	345
Investments	173	-	173
Current assets			
Stocks	9,342	-	9,342
Debtors	5,116	-	5,116
Cash	2,925	-	2,925
Total assets	<u>18,062</u>	<u>42,600</u>	<u>60,662</u>
Creditors			
Bank loans	(7,896)	-	(7,896)
Trade creditors	(3,346)	-	(3,346)
Accruals	(5,754)	-	(5,754)
Provisions			
Deferred taxation	(170)	(7,669)	(7,839)
Total liabilities	<u>(17,166)</u>	<u>(7,669)</u>	<u>(24,835)</u>
Net assets	<u>896</u>	<u>34,931</u>	<u>35,827</u>
Goodwill			<u>14,373</u>
			<u>50,200</u>
Satisfied by cash outflows			
Cash consideration			39,687
Acquisition costs			2,954
Satisfied by non-cash outflows			
Loan notes			7,559
			<u>50,200</u>

In the period ended 31 December 2016, turnover of £38,148,000 and profit of £1,797,000 was included in the consolidated profit and loss account in respect of MPM Products Limited and MPM Products USA Inc. since the acquisition date.

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

14. Stocks

	<u>Group</u>	<u>Company</u>
	2016	2016
	£'000	£'000
Finished goods and goods for resale	9,085	-

There is no material difference between the balance sheet value of stocks and their replacement cost. Included within stock is an amount of £8,596,000 which has been pledged as security for trade amounts owed to secured creditors (see note 17).

15. Debtors

	<u>Group</u>	<u>Company</u>
	2016	2016
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	6,318	-
Amounts owed by subsidiary undertakings (see note 25)	-	897
Prepayments and accrued income	1,355	-
Other debtors	7	-
Derivative financial assets (see note 21)	579	-
Other taxes and social security	235	41
Invoice discounting	70	-
	<u>8,564</u>	<u>938</u>

No interest charge is levied on the amount owed by the subsidiary company. The loan is repayable on demand.

16. Creditors – amounts falling due within one year

	<u>Group</u>	<u>Company</u>
	2016	2016
	£'000	£'000
Bank loans and overdrafts (see note 17)	6,372	-
Trade creditors	4,112	-
Corporation tax	350	-
Other creditors	333	-
Accruals and deferred income	3,217	-
Amounts owed to parent company (see note 25)	194	194
	<u>14,578</u>	<u>194</u>

No interest charge is levied on the amount owed to the parent company. The loan is repayable on demand.

The bank loans are secured by a fixed and floating charge over the assets of the group.

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

17. Creditors – amounts falling due after more than one year

Borrowings are repayable as follows:

	<u>Group</u>	<u>Company</u>
	2016	2016
	£'000	£'000
Bank loans		
Between one and two years	-	-
Between two and five years	-	-
After five years	-	-
	<hr/>	<hr/>
On demand or within one year	6,372	-
	<hr/>	<hr/>
	6,372	-
	<hr/>	<hr/>
Loan notes		
Between one and two years	-	-
Between two and five years	-	-
After five years	55,036	55,036
	<hr/>	<hr/>
On demand or within one year	55,036	55,036
	<hr/>	<hr/>
	55,036	55,036
	<hr/>	<hr/>
Total borrowings		
Between one and two years	-	-
Between two and five years	-	-
After five years	55,036	55,036
	<hr/>	<hr/>
	55,036	55,036
	<hr/>	<hr/>
On demand or within one year	6,372	-
	<hr/>	<hr/>
	61,408	55,036
	<hr/>	<hr/>

The bank loans are secured by a fixed and floating charge over the assets of the company. The loan notes incur an annual interest charge of 10% and are repayable in 2026.

18. Operating Lease Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<u>Group</u>	
	Land and buildings	Other
	2016	2016
	£'000	£'000
Expiry date		
Within one year	56	12
Within one and five years	-	11
	<hr/>	<hr/>

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

19. Provisions for liabilities

	Deferred taxation £'000
Group	
At 8 March 2016	-
Charged to profit and loss account	(819)
Movement arising from the acquisition of a business	7,849
	<hr/>
At 31 December 2016	7,030
	<hr/>

Deferred tax

Deferred tax is provided as follows:

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2016 £'000
Fixed asset and short term timing differences	7,030
	<hr/>

	2016 £'000
Deferred tax liabilities	
Payable within 12 months	438
Payable after 12 months	6,592
	<hr/>
At 31 December	7,030
	<hr/>

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

20. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group 2016 £'000
Financial assets	
Measured at fair value through profit or loss	
• Derivative financial assets (see note 21)	579
Measured at undiscounted amount receivable	
• Trade and other debtors (see note 15)	6,325
• Invoice discounting (see note 15)	70
Equity instruments measured at cost less impairment	
• Fixed asset unlisted investments (see note 12)	107
	<u>7,081</u>
Financial liabilities	
Measured at undiscounted amount payable	
• Bank loans repayable on demand (see note 16)	6,372
• Loan notes payable (see note 17)	55,036
• Trade and other creditors (see note 16)	4,445
	<u>65,853</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group 2016 £'000
Fair value gains and losses	
On derivatives financial assets measured at fair value through profit or loss	<u>(156)</u>
Impairment losses	
On unlisted equity instruments measured at cost less impairment	<u>16</u>

MPM BIDCO LIMITED

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

21. Derivative financial instruments

	2016 £'000
Group	
Derivatives that are designated and effective as hedging instruments carried at fair value	
Assets	
Forward foreign currency contracts	579

The company places forward contracts for the purchase of Euros and US Dollars at fixed rates. The company holds financial instruments that qualify as derivatives in order to manage its currency risks from its operations. Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate	Notional value	Fair value
	2016 Rate	2016 £'000	2016 £'000
USD (\$)	1.319	13,488	786
EUR (€)	1.280	2,148	(207)
			579

22. Called-up share capital and reserves

	2016 £
Allotted, called-up and fully-paid	
1 ordinary shares of £1 each	1
	1

All shares hold equal voting rights. The profit and loss reserve represents cumulative profit or losses, net of dividends paid.

The Group and Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid.

The retranslation reserve represents the currency translation difference on foreign currency net investments.

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

23. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2016 £'000
Operating loss	(316)
Adjustment for:	
Impairment loss on fixed asset investments (see note 12)	16
Depreciation	193
Amortisation	3,218
Derivative asset fair value gain (see note 21)	(156)
	<hr/>
Operating cash flow before movement in working capital	2,955
Decrease in stocks	257
Increase in debtors	(2,800)
Decrease in creditors	(186)
Payment of corporation tax	(343)
	<hr/>
Cash generated by operations	(117)

24. Contingent liabilities

As part of the HSBC banking facilities the MPM Products Limited has granted an irrecoverable letter of credit of \$900,000 to secure the bank liabilities of MPM Products USA Inc. At the year end the contingent liability amounted to \$900,000.

25. Related party transactions

Directors' transactions

There were no transactions with Directors during the period.

Other related party transactions

During the year, MPM Topco Limited acquired the entire share capital of MPM Bidco Limited, which in turn acquired the entire share capital of MPM Products Limited – 17th March 2016. Prior to which, MPM Products Limited acquired the entire share capital of MPM Products USA Inc. which prior to the acquisition was a related party by virtue of a common ownership of the company by the former directors.

As at the year end, the following amounts were owed to group entities and related parties. These amounts all relate to trading balances except for long-term loans of £3,211,000 which are due in greater than one year.

MPM Bidco Limited	£194,000
MPM Products Limited	£897,000
MPM Products USA Inc.	£3,211,000

All loans are repayable upon demand with nil interest charged, except for the loan with MPM Products USA Inc., whereby the loan incurs a 6% annual interest charge.

During the year, MPM Products Limited paid audit fees of £7,000 on behalf of MPM Topco Limited relating to the current period audit.

Notes to the financial statements (continued)

For the period from 8 March to 31 December 2016

25. Related party transactions (continued)

The total remuneration for key management personnel for the period totalled £696,000, being remuneration disclosed in note 8 of £334,000.

26. Subsequent events

On 7 April 2017, the Company listed £43,217,000 of the Loan Notes on the Cayman Islands Stock Exchange. The listing is not expected to have a significant financial effect on the company. For further detail on the issue of the loan notes see note 17.

27. Ultimate controlling party

The Company is controlled by funds controlled by ECI Partners LLP, which is the ultimate controlling party of the group. It is a company registered in England and Wales with company registration number OC301604. The company's registered office is Brettenham House, Lancaster Place, London. EC2E 7EN.

The largest group which MPM Bidco Limited is a member for which consolidated accounts are prepared is MPM Topco Limited, whose registered office is Hurdsfield Industrial Estate, Hulley Road, Macclesfield, SK10 2LZ.

The smallest group which MPM Bidco Limited is a member for which consolidated accounts are prepared is MPM Bidco Limited, whose registered office is Hurdsfield Industrial Estate, Hulley Road, Macclesfield, SK10 2LZ.