MPM BIDCO LIMITED

Annual report and financial statements

Year ended 31 December 2019

Registered number: 10049465

Contents

Officers and professional advisers

DIRECTORS

Mr J Bambridge
Mr J Bracewell
Mr J R Kinsey
Mr P W Thornton

REGISTERED OFFICE

Floor 2, Trident 3
Trident Business Park
Styal Road
Manchester
M22 5XB

BANKERS
HSBC Plc
4 Hardman Square
Spinningfields
Manchester
M3 3EB

SOLICITORS
Gordons LLP
Forward House
8 Duke Street
Bradford
BD1 3QX

AUDITOR

Ernst & Young LLP
Statutory Auditor
2 St Peter's Square
Manchester
M2 3EY

Strategic report

The directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

Review of the business

The accounts have been prepared for the year ended 31 December 2019.

The Company's total other operating income for the year ended 31 December 2019 was £1,113,358 (2018: £1,266,803), which relates to services provided to its subsidiary company. Loss before taxation for the year ended 31 December 2019 was £5,427,499 (2018: £5,015,878).

The Company's net liabilities position at year end is £19,626,311 (2018: £14,198,812). In April 2019 the Group and Company refinanced its lending facilities, with a £15,000,000 increase in Term Loan and a £2,000,000 reduction in Asset based lending facilities utilised by other Group companies. In April 2019 the company repaid Loan Notes of £10,805,000 and accrued Loan note interest of £3,693,000.

Key performance indicators

The directors consider the key performance indicators of the Company to be shareholders' funds, which are documented on page 14.

Section 172

The directors consider, both individually and together, that they have acted in the way they consider in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019. In particular by reference to the approval of our business plan for the period FY2020-2023;

<u>Long term consequence of decisions made in the year and Fostering business relationships</u>
The plan was designed to have a long-term beneficial impact on the company and its stakeholders, including shareholders, customers and suppliers, through continued growth in sales and profitability whilst striving to enrich the lives of pets and their owners through visibly better pet food.

<u>Interests of employees</u>
Our employees are fundamental to the delivery of the plan and we aim to be a responsible employer in the approach to pay and benefits. The health, safety and well-being of employees is a primary consideration in the way we approach the business.

<u>Impact of the company's operations on the community and environment</u>
The plan considers the impact of the company's operations on the community and environment across all of the regions which the business operates, which includes responsible and sustainable sourcing of raw materials and maximizing the amount of recyclable packaging.

<u>The maintenance of high standards of conduct</u>
It is the directors intention to behave responsibly and ensure that the business operates in a responsible manner, operating within high standards of business conduct by aligning with the company's values of Transparency, Simplicity and Responsibility.

<u>Engaging with shareholders</u>
The directors are committed to openly engaging with shareholders, recognizing the importance of behaving responsibly towards shareholders and treating them fairly and equally to they can benefit from the successful delivery of the plan.

Strategic report (continued)

Principal risks and uncertainties

Interest rate risk

A significant proportion of the Company's debt instruments are held at fixed interest rates which mitigates the risk of interest rate increases. The company also holds debt instruments held at variable interest rates linked to LIBOR, with the associated interest rate risk managed through interest rate swaps. As at 31 December 2019 £43,351,520 (2018: £53,500,871) was held at fixed interest rates and £22,046.236 (2018: £9,213,810) was held at variable interest rates, of which £18,200,000 (2018: £7,700,000) was hedged through interest rate derivatives.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in 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 interest rate risk by utilising hedging facilities (hedge accounting is not applied).

Brexit uncertainty

The directors seek to mitigate the potential risk to the Company from Britain's exit from the European Union by continuing to engage with professional advisers to understand and consider potential risks to the business from an operational and financial perspective. There have been no significant risk factors identified to date, however, uncertainties remain and the directors continue to monitor risk and to prepare for potential outcomes.

Covid-19 uncertainty

The directors seek to mitigate the potential risk to the Company from the global Covid-19 pandemic through leveraging the Company's investment in global sales growth and its diverse supply chain to spread risk resulting from reliance on one country or region. The Pet Food industry is considered to be resilient and its classification as an essential industry enables the Company and its supply chain to continue to operate in territories where restrictions on movement have been imposed. Although the Company and the industry which it operates are considered to be relatively well insulated from the Covid-19 pandemic, uncertainties remain and the directors continue to consider and monitor current risks and prepare for these outcomes. The directors are monitoring risk in a number of ways including increased liaison with key suppliers and enhanced monitoring of customer and consumer sales data across the regions which the Group operates acknowledging the respective stages of lockdown in each region. The potential risks and outcomes include supply chain disruption, mitigated by increased stockholding and the impact of a reduction in sales on profits and liquidity, mitigated by a reduction in discretionary spend.

Future developments

The directors expect the general level of activity to be maintained in the forthcoming year. The Company provides services to other Group companies, which are expected to remain in-line with performance in the year ended 31 December 2019.

Approved by the Board and signed on its behalf by:

J Bracewell

Director
5 June 2020

Floor 2, Trident 3
Trident Business Park
Styal Road
Manchester, M22 5XB

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2019.

Principal activity and business review

The principal activity of the company is that of a holding company. The accounts have been prepared for the year ended 31 December 2019.

The results for the year ended 31 December 2019 are disclosed on page 13. No dividends were paid or proposed during the year.

In April 2019 the Group and Company refinanced its lending facilities, with a £15,000,000 increase in Term Loan and a £2,000,000 reduction in Asset based lending facilities utilised by other Group companies. In April 2019 the company repaid Loan Notes of £10,805,000 and accrued Loan note interest of £3,693,000.

Future developments

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

Events after the balance sheet date

There were no significant events since the balance sheet date other than disclosed in note 19.

Financial risk management objectives and policies

The Company'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 Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Interest rate and cash flow risk

The Company's activities expose it primarily to the financial risks of interest rates. The Company uses interest rate swaps to hedge these exposures.

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

The debt instruments held with fixed interest rates are subject to a compound daily interest rate.

Credit risk

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

The Company's credit risk on trade and other receivables is limited because the counterparties are Group companies. 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.

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.

Dividends

The directors do not recommend the payment of a dividend (2018: none).

Directors' report (continued)

Directors

The directors who served the Company during the year 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 along with the impact of Covid-19.

The Group closely monitors and carefully manages its liquidity risk. Cashflow forecasts are regularly produced, and sensitivities run for different scenarios, including, but not limited to a significant decrease in revenue caused by the loss of a number of customers or a reduction in demand for pet food. Cashflow forecasts have been updated in light of the COVID-19 outbreak, with the base case run using the assumption that the Group continues to perform in-line with recent growth rates, which are broadly in-line with growth of the premium pet food sector in the various geographies which the Group operates. A downside scenario has been run on the assumption of a decline in revenues of 40% across the next 12 months with a corresponding decrease in Cost of Sales and assumed cost savings through a reduction in overheads of 46% over the same period. Both under the base case assumptions and the downside scenario noted above, the Group will be able to operate within the covenants and has sufficient financial headroom for the 12 months period after the approval of the financial statements.

Under the extreme downside scenario, reflecting a very substantial decline in revenues, the likelihood of which directors consider remote, it is possible, without further mitigating actions, in additions to those assumed for the downside scenario and noted above, the Group would breach the Leverage covenant. If performance indicates the extreme downside was more likely, the Group would take further mitigating actions in advance to maintain compliance with its external debt facility.

The Group's Net liabilities position is not considered to impact going concern due to the nature of a significant proportion of the Group's debt, being Loan Notes, due for repayment in 2026 and which interest is accrued In addition the majority of the Group's Bank debt is due for repayment in April 2022, although subject to quarterly interest payments and capital repayment as set out in note 12.

A letter of support has been provided to the company by the directors of its parent company, MPM Topco Limited, in order to provide additional support should the company fail to meet its liabilities as they fall due. 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 year and remain in force at the date of this report. The aforementioned provisions all indemnify all group companies.

Directors' report (continued)

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.

Ernst & Young 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

J Bracewell

Director
5 June 2020

Floor 2, Trident 3
Trident Business Park
Styal Road
Manchester
M22 5XB

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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

Opinion

We have audited the financial statements of MPM Bidco Limited (the 'company') for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 19 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the 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 as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Notes 1 and 19 of the financial statements, which describe the economic and social consequences the company is facing as a result of COVID-19 which is impacting consumer demand. Our opinion is not modified in respect of this matter.

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 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.

Overview of our audit approach

Key audit matters	• Carrying value of investments
Materiality	• Overall materiality of £500k which represents 1% of total assets

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPM BIDCO LIMITED (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of investments (£50,200,191;2018: £50,200,191) *Refer to the Strategic report (page 2), Directors report (page 4) and accounting policies (pages 16 – 20)* At 31 December 2019 the company holds an Investment in MPM Products UK Limited of £50m (2018: £50m). There is a significant level of judgement involved in determining the carrying value of the investment in the subsidiary, based on the financial position and the future prospect of the group. The estimated recoverable amount is also subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.	We understood and assessed the design and implementation of the key controls around management's assessment of the carrying value of investments. We did not seek to obtain reliance on the control framework. We obtained a summary of the financial forecasts prepared by management. We have assessed the key assumptions used within the financial forecast, being the discount rate and future revenue assumptions, and considered their sensitivity to fluctuations in the assumption. We have challenged the assumptions used in discount rate determination, by assessing the model used and comparable data available from other sources. We have also reviewed the historical accuracy of management's forecasts by comparing them with actual results and have obtain explanations for differences between actual and forecasted results in order to conclude on the management's ability to forecast future performance accurately and with credibility. We performed full scope audit procedures over the risk area in one location, which covered 100% of the risk amount.	Based on the procedures performed, we did not identify any material misstatement regarding the carrying value of investments.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPM BIDCO LIMITED (continued)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £500,000, which is 1% of total assets.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement as that performance materiality was 75% of our planning materiality, namely £380k. We have set performance materiality at this percentage on the basis of the work performed and the conclusions reached in the previous year audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £39k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPM BIDCO LIMITED (continued)

Other information

The other information comprises the information included in the annual report [set out on pages], other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

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

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 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 company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPM BIDCO LIMITED (continued)

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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
5 June 2020

Profit and loss account
For the year ended 31 December 2019

	Note	2019 £	2018 £
Other operating income	3	1,113,538	1,266,803
Administrative expenses		(1,113,538)	(1,266,803)
Operating loss		-	-
Interest payable and similar expenses	4	(5,500,105)	(5,384,085)
Loss before taxation	5	(5,500,105)	(5,384,085)
Tax on loss	8	72,606	368,207
Loss for the financial year		(5,427,499)	(5,015,878)

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

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

The Company has no other comprehensive income to recognise in the current year or the preceding year and therefore no statement of comprehensive income has been presented.

Balance sheet
At 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Investments	9	50,200,191	50,200,191
Current assets			
Deferred taxation	13	440,813	368,207
Debtors	10	115,100	37,133
Cash at bank and in hand		4,358	4,358
		560,271	409,698
Creditors: amounts falling due within one year	11	(4,989,017)	(2,094,020)
Net current liabilities		(4,428,746)	(1,684,322)
Total assets less current liabilities		45,771,445	48,515,869
Creditors: amounts falling due after more than one year	12	(65,397,756)	(62,714,681)
Net liabilities		(19,626,311)	(14,198,812)
Capital and reserves			
Called-up share capital	15	1	1
Profit and loss account		(19,626,312)	(14,198,813)
Shareholders' deficit		(19,626,311)	(14,198,812)

The financial statements of MPM Bidco Limited (registered number 10049465) were approved by the board of directors and authorised for issue on 5 June 2020. They were signed on its behalf by:

JBracewell

Mr J Bracewell

Director

Statement of changes in equity

At 31 December 2019

	Called-up share capital £	Profit and loss account £	Total £
At 31 December 2017	1	(9,182,935)	(9,182,934)
Total comprehensive loss	-	(5,015,878)	(5,015,878)
At 31 December 2018	1	(14,198,813)	(14,198,812)
Total comprehensive loss	-	(5,427,499)	(5,427,499)
At 31 December 2019	1	(19,626,312)	(19,626,311)

No final proposed dividend can be declared. Please see note 15.

Notes to the financial statements

For the year ended 31 December 2019

1. Statement of accounting policies

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

General information and basis of accounting

MPM Bidco Limited (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 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 operations are set out in the directors' report on pages 4 and 5.

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 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.

MPM Bidco Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, related party transactions and remuneration of key management personnel.

Group financial statements

The Company and its subsidiaries are included in the consolidated financial statements on MPM Topco Limited which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. Details of MPM Topco Limited are disclosed in note 18 to the financial statements.

Going concern

The financial statements have been prepared using the going concern basis of accounting. The going concern assessment and the impact of Covid-19 provided below is relevant for the whole Group of which MPM Bidco's parent company, MPM Topco Limited, is the ultimate parent company. The parent controls and 100% owns all the subsidiaries, therefore the same going concern assessment applies and there are no factors pertaining to Company only that need to be taken into account separately.

The Group's banking facilities comprises a £4.75 million import and export facility, subject to an annual review on the anniversary of the facility commencement date, and a £26.0m term loan and a £6.0 million invoice finance line forming part of a committed 5-year banking facility which expires in April 2022. The director's expectation is that the bank have no reason not to continue to provide these facilities.

The Group closely monitors and carefully manages its liquidity risk. Cashflow forecasts are regularly produced, and sensitivities run for different scenarios, including, but not limited to a significant decrease in revenue caused by the loss of a number of customers or a reduction in demand for pet food. Cashflow forecasts have been updated in light of the COVID-19 outbreak, with the base case run using the assumption that the Group continues to perform in-line with recent growth rates, which are broadly in-line with growth of the premium pet food sector in the various geographies which the Group operates. A downside scenario has been run on the assumption of a decline in revenues of 40% across the next 12 months with a corresponding decrease in Cost of Sales and assumed cost savings through a reduction in overheads of 46% over the same period. Both under the base case assumptions and the downside scenario noted above, the Group will be able to operate within the covenants and has sufficient financial headroom for the 12 months period after the approval of the financial statements.

Under the extreme downside scenario, reflecting a very substantial decline in revenues, the likelihood of which directors consider remote, it is possible, without further mitigating actions in additions to those assumed for the downside scenario and noted above, the Group would breach the Leverage covenant. If performance indicates the extreme downside was more likely, the Group would take further mitigating actions in advance to maintain compliance with its external debt facility.

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Statement of accounting policies (continued)

Going concern (continued)

The Group's Net liabilities position is not considered to impact going concern due to the nature of a significant proportion of the Group's debt, being Loan Notes, due for repayment in 2026 and which interest is accrued. In addition the majority of the Group's Bank debt is due for repayment in April 2022, although subject to quarterly interest payments and capital repayment as set out in note 12.

The directors have considered a number of factors when assessing the going concern basis. These factors include the loss generated by the Group, the Group's cash generation and adequate headroom in banking facilities. After considering these factors 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.

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.

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).

Notes to the financial statements (continued)
For the year ended 31 December 2019

1. Accounting policies (continued)

Financial instruments (continued)

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.

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 Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, 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

Investments in subsidiaries are measured at cost less impairment.

(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.

(iv) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements. The Company 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.

(v) 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 14 sets out details of the fair values of the derivative instruments used for hedging purposes.

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.

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.

1. Accounting policies (continued)

Impairment of assets (continued)

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 Company'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 Company 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 Company 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.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company 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 Company 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

Notes to the financial statements (continued)

For the year ended 31 December 2019

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.

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

Other operating income

Other operating income shown in the profit and loss account represents the value of management services rendered to other group companies.

Employee benefits

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.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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.

The directors do not consider that there are any sources of estimation uncertainty.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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 existence and measurement of an impairment of financial assets.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Other operating income

Other operating income is wholly attributable to the one principal activity of the Company, being the provision of management services to subsidiary companies.

4. Interest payable and similar expenses

	2019 £	2018 £
Bank loan interest	1,114,485	558,489
Derivative asset fair value loss (gain) (note 14)	35,789	(37,133)
Loan notes interest	4,349,831	4,862,729
	5,500,105	5,384,085

5. Loss before taxation

The analysis of the auditor's remuneration is disclosed in the accounts of the MPM Topco Limited, MPM Bidco Limited's parent company. The audit fee of £7,500 has been borne by MPM Products Limited and has not been recharged.

6. Staff numbers and costs

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

	2019 Number	2018 Number
Senior management	5	5
Directors	2	2
	7	7

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,010,492	1,142,228
Social security costs	80,277	100,191
Other pension costs (note 16)	24,489	24,384
	1,113,358	1,266,803

Notes to the financial statements (continued)

For the year ended 31 December 2019

7. Directors' remuneration

Directors' remuneration has been disclosed in the accounts of the MPM Topco Limited, MPM Bidco Limited's parent company.

Directors' remuneration for the year and prior period was recharged to and paid on behalf of the Company by a subsidiary company.

8. Tax on loss

The tax charge comprises:

	2019 £'000	2018 £'000
Current tax on loss		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(129,590)	(106,807)
Adjustment in respect of prior periods	43,343	(272,643)
Effect of changes in tax rates	13,641	11,243
Total deferred tax (note 13)	(72,606)	(368,207)
Total tax on loss	(72,606)	(368,207)

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:

	2019 £	2018 £
Loss before tax	5,500,105	(5,384,055)
Tax on loss at standard UK corporation tax rate of xx per cent (2018: 19 per cent)	(1,045,020)	(1,022,977)
Effects of:		
- Expenses not deductible for tax purposes	619,583	596,088
- Effect of group relief	295,847	320,082
- Adjustments from previous periods	43,343	(272,643)
- Tax rate changes	13,641	11,243
Total tax credit on loss	(72,606)	(368,207)

Notes to the financial statements (continued)
For the year ended 31 December 2019

9. Fixed asset investments

	2019 £	2018 £
Subsidiary undertakings	50,200,191	50,200,191

Principal Group investments

The Company has investments in the following subsidiary undertaking.

Subsidiary undertakings	Registered office address	Principal activity	Holding	%
MPM Products Limited	Floor 2, Trident 3 Trident Business Park Styal Road Manchester M22 5XB	Pet food distributor	Ordinary Shares	100

10. Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Derivative financial instruments (note 14)	1,343	37,133
Other debtors	113,757	-
	115,100	37,133

11. Creditors – amounts falling due within one year

	2019 £	2018 £
Bank loans (note 12)	1,236,988	487,143
Accruals and deferred income	2,415	3,400
Derivative financial instruments (note 14)	-	-
Amounts owed to parent company (note 17)	208,115	208,115
Amounts owed to other group companies (note 17)	3,541,499	1,395,362
	4,989,017	2,094,020

No interest charge is levied on the amount owed to the parent or other group companies. The loan is repayable on demand.

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

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

	2019 £	2018 £
Bank loans	22,046,236	9,213,810
Loan notes	43,351,520	53,500,871
	65,397,756	62,714,681

Borrowings are repayable as follows:

	2019 £	2018 £
Bank loans		
Between one and five years	22,046,236	9,213,810
After five years	-	-
	22,046,236	9,213,810
On demand or within one year	1,236,988	487,143
	23,283,224	9,700,953
Loan notes		
Between one and five years	-	-
After five years	43,351,520	53,500,871
	43,351,520	53,500,871
On demand or within one year	-	-
	43,351,520	53,500,871
Total borrowings		
Between one and five years	22,046,236	9,213,810
After five years	43,351,520	53,500,871
	65,397,756	62,714,681
On demand or within one year	1,236,988	487,143
	66,634,744	63,201,824

In April 2019 the Group and Company refinanced its lending facilities, with a £15,000,000 increase in Term Loan and a £2,000,000 reduction in Asset based lending facilities utilised by other Group companies. In April 2019 the company repaid Loan Notes of £10,805,000 and accrued Loan note interest of £3,693,000.

The bank loans and loan notes are secured by a fixed and floating charge over the assets of the Group. The bank loans repayable between one and five years are reviewed annually and includes a Term Loan of £18,200,000 due for repayment in April 2022. The loan notes incur an annual interest charge of 10% and are repayable in 2026.

The loan notes are listed on the Cayman stock exchange.

Notes to the financial statements (continued)
For the year ended 31 December 2019

13. Provisions for liabilities

	Deferred tax 2019 £'000	2018 £'000
At 1 January	368,207	-
Charged to profit and loss account	(43,343)	95,564
Adjustment in respect of prior years	115,949	272,643
At 31 December	440,813	368,207

Deferred tax asset

Deferred tax is provided as follows:

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

	2019 £'000	2018 £'000
Short term timing differences – non trading	412,542	339,936
Losses	28,271	28,271
At 31 December	440,813	368,207

	2019 £'000	2018 £'000
Deferred tax assets		
Recoverable within 12 months	440,813	368,207
At 31 December	440,813	368,207

Notes to the financial statements (continued)
For the year ended 31 December 2019

14. Derivative financial instruments

	2019 £	2018 £
Derivatives that are designated and effective as hedging instruments carried at fair value		
Assets		
Interest rate swaps	-	37,133
Interest rate cap	1,343	-

The following table details the interest rate derivative contract outstanding as at the year-end:

Outstanding receive floating pay fixed contracts	Average contractual Fixed interest rate		Notional principal value		Fair value	
	2019 Rate	2018 Rate	2019 £	2018 £	2019 £	2018 £
Less than 1 year	-	-	-	-	-	-
1 - 2 years	1.5%	0.66%	18,200,000	7,700,000	1,343	37,133
3 - 5 years	-	-	-	-	-	-
5 years or more	-	-	-	-	-	-
					1,343	37,133

On 29 May 2019 the company exited the £7,700,000 interest rate swap and entered into a £18,200,000 interest rate cap. The interest rate derivatives settle on a quarterly basis. The floating rate on the interest rate is three months' LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Interest rate caps and swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

15. Called-up share capital and reserves

	2019 £	2018 £
Allotted, called-up and fully-paid		
1 ordinary share of £1 each	1	1

The Company has one class of ordinary shares which carry no right to fixed income. All shares hold equal voting rights. The profit and loss reserve represents cumulative profit or losses, net of dividends paid.

The other reserves are as follows:

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Employee benefits

The Company operates a defined contribution retirement benefits scheme for all qualifying employees. The total expense charged to the profit or loss account in the year ended 31 December 2019 was £24,489 (2018: £24,384).

17. Related party transactions

Directors' transactions

During the year the company repaid C1 Loan Notes in full. A payment of £814,093 was made to repay C1 Loan Notes held by company directors accompanied by a payment of accrued Loan Note interest of £278,271. There were no transactions with directors during the prior period.

Other related party transactions

The company has taken an exemption not disclose transactions and balances between group companies which are wholly-owned members of the same group, which are disclosed in the consolidated accounts of the ultimate parent company, MPM Topco Limited.

During the year, MPM Products Limited paid audit fees of £7,500 (2018: £7,500) on behalf of MPM Bidco Limited relating to the current year (and prior period) audit.

18. 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. WC2E 7EN.

The largest and smallest group which MPM Bidco Limited is a member for which consolidated accounts are prepared is MPM Topco Limited, the ultimate parent company, whose registered office is Floor 2, Trident 3, Trident Business Park, Styal Road, Manchester, M22 5XB.

19. Post Balance Sheet Events

Management have concluded that COVID-19 is a non-adjusting post balance sheet event as at 31 December 2019 on the basis that, at that date:

- The World Health Organisation had not declared a global threat emergency; and
- There was no significant spread of the virus outside China.

As a non-adjusting event, no adjustment has been made in respect of COVID-19 over and above what was known as at 31 December 2019.

The impact of COVID-19 pandemic on the Group's operations and trading is discussed in the results overview/ strategic report section on page 2 and page 4. The basis for preparation set in note 1 to these financial statements summarises the scenario for COVID-19 that the Group has modelled.

The Group has been relatively well-insulated from the impact of Covid-19 and has experienced increased demand for its products as the various geographies in which it operates entered lockdown. Demand has started to return to normal as the lockdown restrictions are eased. The Group's supply chain has been robust with production and routes-to-market remaining open. The Group has not experienced any problems with customer cash-collection to date, and due to the nature of its customers and the markets in which it operates does not expect any issues as the pandemic moves to the next phase.