# Jackel International Limited

# Annual report and financial statements

# for the year ended 31 December 2016

**Registered Number: 1894022**

# Jackel International Limited

# Annual report and financial statements

# for the year ended 31 December 2016

# Contents

# Jackel International Limited

## Directors and advisers for the year ended 31 December 2016

**Directors**
Mark Hall (resigned 1 February 2017)
Peter Dowson
Steve Parkin
Edward Chapman
Gary Dalziel
James Taylor (appointed 21st April 2017)
Neal Austin (appointed 21st April 2017)

**Company secretary**
Peter Dowson

**Registered office**
Northumberland Business Park West
Dudley Lane
Cramlington
Northumberland
England
NE23 7RH
United Kingdom

**Independent auditors**
PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ
United Kingdom

**Solicitors**
DLA Piper UK LLP
1 St Peters Square
Manchester
M2 3DE
United Kingdom

**Bankers**
HSBC Bank plc
8 Canada Square,
London,
E14 5HQ
United Kingdom

# Jackel International Limited

# Strategic report for the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

**Principal activities and future outlook**
The principal activity of the company is the design, manufacture and distribution of baby accessories (e.g. bottles, soothers, feeding cups). The company is particularly well known for its Tommee Tippee brand name and also supplies a small amount of customer branded products.

The company will continue to innovate its product offering in order to maintain and grow sales in existing markets and will actively work to develop new markets for its products, where there are opportunities to do so profitably.

**Principal risks and uncertainties**
The key business risks and uncertainties affecting the company are considered to relate to competition from both national and international baby accessories suppliers, employee retention and product availability.

**Key performance indicators ("KPIs")**
Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

**Results and dividends**
The performance of the company was in line with expectations. The results and financial position as at the year end are set out in the statement of comprehensive income and statement of financial position on pages 8 and 9 respectively. No dividend was paid during the year (2015: £nil). The directors do not propose the payment of a final dividend for the year (2015: £nil).

On behalf of the board

S Parkin
**Director**
31 May 2017

# Directors' report for the year ended 31 December 2016

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2016.

**Principal activities and future outlook**
The principal activities and future outlook of the company have been discussed further in the strategic report on page 2.

**Financial risk management policy**
The company's exposure to currency and credit risk is discussed in note 1 to the financial statements.

**Results and dividends**
The results of the company and the financial position as at the year end are set out in the statement of comprehensive income and statement of financial position on pages 8 and 9 respectively. A dividend of £nil was paid during the year (2015: £nil).

The company has incurred exceptional costs in the year of £3.6m (2015: £5.9m). These principally covered the costs associated with the acquisition of the group by Success Bidco 2 Limited, and are more fully disclosed in note 3 to the financial statements

**Research and development**
The company will continue to invest in developing new products and in improving existing ones. Costs associated with research are expensed in the statement of comprehensive income as incurred.

**Directors**
The directors who held office during the year and up to the date of signing the financial statements are listed in the Directors and advisors for the year on page 1.

**Statement of directors' responsibilities**
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

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

# Directors' report for the year ended 31 December 2016 (continued)

**Statement of directors' responsibilities (continued)**
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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

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

On behalf of the board

S Parkin
**Director**
31 May 2017

# Independent auditors' report to the members of Jackel International Limited

## Report on the financial statements

**Our opinion**
In our opinion, Jackel International Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**What we have audited**
The financial statements, included within the Annual Report, comprise:

- the Statement of financial position as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

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

## Opinion on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

# Independent auditors' report to the members of Jackel International Limited (continued)

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

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

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of directors responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

# Independent auditors' report to the members of Jackel International Limited (continued)

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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
31 May 2017

# Statement of comprehensive income for the year ended 31 December 2016

| | Note | 2016 £'000 | As restated 2015 £'000 |
|---|---|---|---|
| Revenue | | **67,092** | 58,925 |
| Cost of sales | | **(43,587)** | (37,284) |
| **Gross Profit** | | **23,505** | 21,641 |
| Admin expenses | | **(31,099)** | (21,957) |
| Exceptional admin expenses | 3 | **(3,611)** | (5,850) |
| Distribution cost | | **(9,803)** | (8,331) |
| Other income | | **4,682** | 5,683 |
| **Operating loss** | 4 | **(16,326)** | (8,814) |
| Finance income | 5 | **3,108** | 2,029 |
| Finance costs | 5 | **(2,709)** | (2,037) |
| **Loss before taxation** | | **(15,927)** | (8,822) |
| Taxation | 6 | **151** | 217 |
| **Loss for the year** | | **(15,776)** | (8,605) |
| | | | |
| **Other comprehensive expense** | | | |
| Losses recognised directly in equity: | | | |
| **Items that will not be reclassified to profit or loss -** | | | |
| Remeasurements on defined benefit scheme | 7 | **(957)** | (956) |
| Tax on items that will not be reclassified to profit or loss | | **163** | 181 |
| **Items that may be subsequently reclassified to profit or loss -** | | | |
| Cash flow hedges net of deferred taxation | | **356** | (96) |
| **Other comprehensive expense for the year** | | **(438)** | (871) |
| **Total comprehensive expense for the year** | | **(16,214)** | (9,476) |

# Jackel International Limited

**Registered Number: 1894022**

# Statement of financial position as at 31 December 2016

| | Note | **2016** £'000 | **2016** £'000 | As restated 2015 £'000 | As restated 2015 £'000 | As restated 2014 £'000 | As restated 2014 £'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 8 | | **2,212** | | 2,540 | | 1,618 |
| Intangible assets | 9 | | **6,214** | | 5,657 | | 525 |
| Investments in subsidiaries | 10 | | **48** | | 48 | | 48 |
| Deferred tax asset | 11 | | **504** | | 53 | | 237 |
| Retirement benefit surplus | 7 | | **3,696** | | 2,837 | | 3,707 |
| | | | **12,674** | | 11,135 | | 6,135 |
| **Current assets** | | | | | | | |
| Inventories | 12 | **10,674** | | 9,485 | | 8,138 | |
| Trade and other receivables | 13 | **123,669** | | 103,073 | | 88,124 | |
| Derivative financial instruments | 14 | **56** | | - | | 1,000 | |
| Cash and cash equivalents | 15 | **9,367** | | 15,575 | | 16,830 | |
| | | **143,766** | | 128,133 | | 114,092 | |
| **Total assets** | | | **156,440** | | 139,268 | | 120,227 |
| **Liabilities** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 16 | **(153,540)** | | (121,118) | | (92,531) | |
| Derivative financial instruments | 14 | **-** | | (107) | | - | |
| | | **(153,540)** | | (121,225) | | (92,531) | |
| **Non-current liabilities** | | | | | | | |
| Deferred tax liability | 11 | **(638)** | | (650) | | (827) | |
| **Total liabilities** | | | **(154,178)** | | (121,875) | | (93,358) |
| **Net assets** | | | **2,262** | | 17,393 | | 26,869 |
| | | | | | | | |
| **Shareholders' equity** | | | | | | | |
| Called up share capital | 17 | | **8,500** | | 8,500 | | 8,500 |
| Capital contribution | | | **1,083** | | - | | - |
| Hedging reserve | | | **774** | | 418 | | 514 |
| (Accumulated losses)/Retained earnings | | | **(8,095)** | | 8,475 | | 17,855 |
| **Total equity** | | | **2,262** | | 17,393 | | 26,869 |

The financial statements on pages 8 to 35 were approved by the Board on 31 May 2017 and signed on its behalf by

S Parkin

Director

# Jackel International Limited

## Statement of cash flows for the year ended 31 December 2016

| | Note | 2016 £'000 | As restated 2015 £'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Loss before taxation | | **(15,927)** | (8,822) |
| *Adjustments for:* | | | |
| Depreciation | | **853** | 683 |
| Amortisation | | **677** | 458 |
| (Credits from)/Payments into pension scheme in excess of current service cost | | **(1,670)** | 51 |
| Pension interest less expected return on scheme assets | | **(146)** | (137) |
| Non cash movements on forward currency contracts | | **-** | 1,000 |
| Finance income | | **(3,108)** | (2,029) |
| Finance costs | | **2,709** | 2,037 |
| *Changes in working capital:* | | | |
| Increase in inventories | | **(1,189)** | (1,347) |
| Decrease/(increase) in trade and other receivables | | **880** | (3,792) |
| (Decrease)/increase in trade and other payables | | **(14,572)** | 13,030 |
| Increase in intercompany receivables | | **(18,474)** | (10,200) |
| Increase in intercompany payables | | **44,319** | 15,056 |
| **Cash (used in)/generated from operating activities** | | **(5,648)** | 5,988 |
| Interest paid | | **(8)** | (37) |
| Tax paid | | **(25)** | (15) |
| **Net cash (used in)/generated from operating activities** | | **(5,681)** | 5,936 |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | | **(525)** | (1,605) |
| Purchase of intangible assets | | **(1,234)** | (5,590) |
| Interest received | | **149** | 4 |
| **Net cash used in investing activities** | | **(1,610)** | (7,191) |
| **Cash flows generated from financing activities:** | | | |
| Capital contribution | | **1,083** | - |
| **Net cash from financing activities** | | **1,083** | - |
| ***Net decrease in cash and cash equivalents*** | | **(6,208)** | (1,255) |
| Cash and cash equivalents at beginning of the year | 13 | **15,575** | 16,830 |
| **Cash and cash equivalents at end of the year** | 13 | **9,367** | 15,575 |

# Jackel International Limited

# Statement of changes in equity for the year ended 31 December 2016

| | Capital contributio n £'000 | Called up share capital £'000 | Hedging reserve £'000 | (Accumulated losses)/ Retained earnings £'000 | **Total equity £'000** |
|---|---|---|---|---|---|
| At 1 January 2015 – as restated | - | 8,500 | 514 | 17,855 | **26,869** |
| Movement on hedging reserve net of deferred tax | - | - | (96) | - | **(96)** |
| Remeasurements on defined benefit scheme | - | - | - | (956) | **(956)** |
| Tax on items that will not reclassified to profit or loss | - | - | - | 181 | **181** |
| Loss for the year | - | - | - | (8,605) | **(8,605)** |
| At 31 December 2015 – as restated | - | 8,500 | 418 | 8,475 | **17,393** |
| Movement on hedging reserve net of deferred tax | - | - | 356 | - | **356** |
| Remeasurements on defined benefit scheme | - | - | - | (957) | **(957)** |
| Tax on items that will not reclassified to profit or loss | - | - | - | 163 | **163** |
| Capital contribution from parent | 1,083 | - | - | - | **1,083** |
| Loss for the year | - | - | - | (15,776) | **(15,776)** |
| **At 31 December 2016** | **1,083** | **8,500** | **774** | **(8,095)** | **2,262** |

# Statement of accounting policies for the year ended 31 December 2016

Jackel International Limited is a private company limited by shares which is incorporated and domiciled in the UK. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRS IC interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis and under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivatives) through fair value through profit or loss. A summary of the more important accounting policies is set out below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

These separate financial statements contain information about Jackel International Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent company, Success Bidco 2 Limited.

**Changes in accounting policy and disclosures**
New standards, amendments and interpretations effective and adopted by the Group:

Amendment to IAS 19, 'Employee benefits', regarding defined benefit plans
Annual improvements 2012
Annual improvements 2014
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation
Amendment to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plant
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortization
Amendments to IAS 27, 'Separate financial statements' on the equity method
Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception
Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative

**Revenue**
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue is earned on the sale of baby accessories, and is stated net of value added tax and other discounts.

# Statement of accounting policies for the year ended 31 December 2016 (continued)

**Other operating income**
Other operating income represents the benefit of recharging other group companies for services undertaken on their behalf, and royalty payments made by other group companies for use of brand names owned by the company. It also includes foreign exchange gains arising from operating activities.

**Foreign currency accounting**
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**Property, plant and equipment**
Plant and equipment is included at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to the working condition for its intended use. Depreciation is provided on a straight line basis over the estimated useful life of the asset. The residual lives of the assets are reassessed annually by management for appropriateness.

The following rates per annum are used:

| | |
|---|---|
| Leasehold improvements | 10% |
| Equipment and vehicles | 10 - 35% |

Assets under construction are not depreciated

The carrying values of plant and equipment are reviewed for impairment either annually, or when events or changes in circumstances indicate the carrying value may not be recoverable (whichever is earlier). If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

**Intangible assets**
Acquired brands are shown at historical cost. They have finite useful economic lives and are carried at cost less accumulated amortisation. Brands are amortised on a straight line basis to allocate the cost of a brand over its estimated useful life of 10 years. Software is capitalised on the basis of costs incurred to acquire and bring it into use and amortised on a straight line basis over their useful economic lives of 4 years.

**Inventories**
Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes an addition for production overheads where appropriate. Net realisable value is the estimated selling price in the ordinary course of the business, less estimated costs of completion and the estimated costs necessary to make the sale.

Stock provisions are based on company current stock levels compared with future sales forecast.

# Statement of accounting policies for the year ended 31 December 2016 (continued)

**Trade receivables**
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A provision for impairment of trade receivables is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "other operating charges". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating charges" in the statement of comprehensive income.

**Trade payables**
Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

**Research and development costs**
Research and development costs are expensed as incurred.

**Derivative financial instruments – Forward currency contracts**
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resultant gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The company designates certain derivatives as cash flow hedges, being hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within "other gains/losses". Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss. When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

Changes in the fair value of those derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

The fair value of the forward currency contracts is estimated using a discounted cash flow technique.

**Cash and cash equivalents**
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, and short term deposits with a maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

# Statement of accounting policies for the year ended 31 December 2016 (continued)

**Operating leases**
Rental costs under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

**Pensions**
The company operates a defined benefit pension scheme, the Baby & Child Retirement Plan, and a stakeholder plan. Contributions to the stakeholder scheme are charged to employee costs in the period in which they fall due.

The Baby & Child Retirement Benefit Plan is accounted for in full in this company's financial statements as the majority of the scheme participants are employees of the company, and although the scheme also relates to other group companies, the directors believe that these amounts are not material to the individual financial statements of the companies involved.

The company recognises the pension deficit or surplus in the statement of financial position. The surplus is the fair value of the scheme's assets less the present value of the accrued defined benefit obligations. Any surplus arising on the defined benefit pension scheme is restricted to the present value of the amount recoverable through future reductions in employer contributions. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality, long-dated corporate bonds that are denominated in the currency in which the benefits are paid.

The current service costs, past service costs, gains and losses on settlements and curtailments, and the interest cost on plan liabilities net of expected return on plan assets are included in employee costs.

Actuarial gains and losses are recognised as other comprehensive income in the period in which they arise.

**Investments**
The investment in subsidiary undertakings is carried in the statement of financial position at cost, less any impairment in value.

**Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Critical accounting estimates and judgements**
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

Changes in assumptions made in valuing the defined benefit pension deficit could have a significant effect on profit for the year and the financial position. These assumptions are reviewed on an annual basis and the most appropriate assumptions selected based on actuarial advice. The assumptions used at the year end are disclosed in note 7.

There are no other estimates and assumptions in the financial statements which are expected to have a critical effect on the next financial year.

# Statement of accounting policies for the year ended 31 December 2016 (continued)

**Changes in accounting policy and disclosures**
Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative
Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses
Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions
IFRS 9, 'Financial Instruments'
IFRS 15, 'Revenue from contracts with customers'
IFRS 16, 'Leases'
Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'
Amendments to IAS 40, 'Investment property' relating to transfers of investment property
Annual improvements 2014-2016
IFRIC 22, 'Foreign currency transactions and advance consideration'

# Notes to the financial statements for the year ended 31 December 2016

## 1 Financial risk management

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The company's overall risk management programme seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

**(a) Market risk**

The company operates internationally and is exposed to foreign exchange risk, primarily with respect to the Euro, the US Dollar, the Hong Kong Dollar and the Australian Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Currency risk is managed in overall terms at a group level. The group has a net inflow of Euros arising from its trading activities and has established a policy of selling forward 12 months' worth of its Euro revenue. The group also has a net outflow of Hong Kong dollars arising from its trading activities and has established a policy of purchasing forward 12 months' worth of its Hong Kong dollar requirements. Certain forward contracts undertaken by the group under this policy are treated under IAS 39 as cash flow hedges where they meet the requirements of the standard.

Sensitivities have been performed below based on the movement in currency rates during the year.
At 31 December 2016, if the Euro had weakened/strengthened by 15.1% (2015: 4.6%) against the UK pound with all other variables held constant, post-tax loss for the year would have been £850,000 (2015: £276,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of euro-denominated trade receivables and intercompany payables. Equity would have been £850,000 (2015: £276,000) higher/lower.

At 31 December 2016, if the Hong Kong Dollar had strengthened/weakened by 19.6% (2015: 5.7%) against the UK pound with all other variables held constant, post-tax loss for the year would have been £351,000 (2015: £79,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK dollar-denominated intercompany payables. Equity would have been £351,000 (2015: £79,000) higher/lower.

At 31 December 2016, if the US Dollar had weakened/strengthened by 19.7% (2015: 5.6%) against the UK pound with all other variables held constant, post-tax loss for the year would have been £746,000 (2015: £87,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated intercompany payables. Equity would have been £746,000 (2015: £87,000) higher/lower.

At 31 December 2016, if the Australian Dollar had weakened/strengthened by 19.4% (2015: 6.8%) against the UK pound with all other variables held constant, post-tax loss for the year would have been £121,000 (2015: £32,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian Dollar-denominated intercompany payables. Equity would have been £121,000 (2015: £32,000) higher/lower.

Interest bearing financial assets held by the company are restricted to cash balances which are subject to variable interest rates; income and cash flows are largely independent of the changes in market interest rates.

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 1 Financial risk management (continued)

### (b) Credit risk

Credit risk arises from cash and cash equivalents, and derivative financial instruments, as well as credit exposures to wholesale and retail customers. The group has implemented policies that require appropriate credit checks on potential customers before sales are made, and credit limits are put in place as appropriate. Management monitors impairment through the utilisation of credit limits and payment history regularly. The credit risk to customers in the UK is deemed sufficiently low not to require insurance.

Credit risk on all export sales is minimised either through the company's export credit insurance policy, by obtaining letters of credit or requiring payment in advance of the delivery of goods.

At the year end, five customers (2015:five) had a closing balance of more than 5% of total trade receivables totalling £10,126,000 (2015: £10,877,000). No credit limits were exceeded during the reporting year unless authorised and management does not expect any losses from non-performance by these counterparties.

The table below shows the ageing analysis of trade receivables at the year end:

| | Current £'000 | 0-3 months past due £'000 | 3-6 months past due £'000 | Over 6 months past due £'000 | Impaired £'000 | **Total £'000** |
|---|---|---|---|---|---|---|
| **At 31 December 2016** | **15,415** | **2,350** | **101** | **68** | **(253)** | **17,681** |
| At 31 December 2015 | 15,629 | 2,433 | 828 | 618 | (592) | 18,916 |

All other receivables are considered to be current. Intercompany receivables are repayable on demand and are therefore classified as current until request for payment is made.

The carrying amounts of the company's trade receivables are denominated in the following currencies:

| | **2016 £'000** | 2015 £'000 |
|---|---|---|
| Pounds | **13,893** | 15,135 |
| Euro | **2,920** | 2,783 |
| US Dollar | **868** | 998 |
| | **17,681** | 18,916 |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 1 Financial risk management (continued)

**(b) Credit risk (continued)**

Movements on the provision for impairment of trade receivables are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| At 1 January | **592** | 49 |
| Provisions (released)/created | **(339)** | 543 |
| At 31 December | **253** | 592 |

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

**(c) Liquidity risk**

Management aims to manage liquidity risk through regular cash flow forecasting to ensure the company has sufficient available funds for operations and planned expansions. Liquidity risk can also be minimised through intercompany indebtedness within the Success Bidco 2 Limited group.

The table below analyses the company's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the accounting reference date to the contractual maturity date. The carrying value of financial liabilities is not considered to differ significantly from the contractual undiscounted cash flows.

| **At 31 December 2016** | **Less than 1 year £'000** |
|---|---|
| **Trade and other payables** | **153,540** |

| At 31 December 2015 as restated | Less than 1 year £'000 |
|---|---|
| Trade and other payables | 121,092 |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 1 Financial risk management (continued)

**(c) Liquidity risk (continued)**

The table below analyses the company's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

| **At 31 December 2016** | **Less than 1 year £'000** | **Between 1-2 years £'000** |
|---|---|---|
| Forward foreign exchange contracts – cash flow hedges: | | |
| Outflow | **18,556** | - |
| Inflow | **12,667** | - |
| **At 31 December 2015** | Less than 1 year £'000 | Between 1-2 years £'000 |
| Forward foreign exchange contracts – cash flow hedges: | | |
| Outflow | 1,898 | - |
| Inflow | 7,848 | - |

**(d) Capital risk management**

As a wholly owned operating subsidiary within the Success Bidco 2 Limited group, the company's capital structure is not actively monitored by management.

## 2 Employee benefit costs

| | **2016 £'000** | As restated 2015 £'000 |
|---|---|---|
| Wages and salaries | **30,292** | 14,559 |
| Social security costs | **772** | 725 |
| Other pension costs (note 7) | **717** | 485 |
| | **31,781** | 15,769 |

The average monthly number of employees, including directors on service contracts, during the year was as follows:

| By activity: | **2016 Number** | 2015 Number |
|---|---|---|
| Sales and distribution | **30** | 36 |
| Administration | **111** | 105 |
| | **141** | 141 |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 2 Employee benefit costs (continued)

### Directors' emoluments

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Directors: | | |
| Aggregate emoluments (excluding LTIP) | **791** | 959 |
| LTIP | **15,372** | |
| Contributions to defined contribution scheme | **18** | 18 |
| The highest paid director: | | |
| Aggregate emoluments | **10,616** | 295 |

Retirement benefits are accruing to one director under a defined benefit scheme (2015: one.)

## 3 Exceptional items

The group has incurred the following exceptional costs in the year:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Product recall costs | **52** | - |
| Trademark acquisition costs | - | 1,000 |
| Litigation costs | **578** | 1,600 |
| Strategic review of the business costs | **797** | 1,300 |
| Restructuring costs | - | 1,950 |
| Deal related costs | **2,184** | - |
| | **3,611** | 5,850 |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 4 Operating loss

| | 2016 £'000 | As restated 2015 £'000 |
|---|---|---|
| The operating loss is stated after (crediting)/charging: | | |
| Changes in inventories of raw materials and WIP | **(1,190)** | (1,347) |
| Raw materials and consumables used | **44,670** | 38,310 |
| Employee benefit expenses | **31,781** | 15,769 |
| Depreciation, amortisation & impairment charges | **1,530** | 1,141 |
| Transportation expense | **1,272** | 1,382 |
| Advertising cost | **4,667** | 3,550 |
| Operating lease payments | **390** | 372 |
| Exceptional costs | **3,611** | 5,850 |
| Other expenses | **1,369** | 8,395 |
| Other income | **(4,682)** | (5,683) |
| Total cost of sales, distribution costs, exceptional admin expenses, admin expenses and other income | **83,418** | 67,739 |

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **Audit services:** | | |
| Audit fees in respect of statutory audit of the company | 43 | 42 |

## 5 Finance income/(costs)

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Intercompany interest receivable | **2,959** | 2,025 |
| Bank interest receivable | **149** | 4 |
| **Finance income** | **3,108** | 2,029 |
| Intercompany interest payable | **(2,701)** | (2,000) |
| Bank interest payable | **(8)** | (37) |
| **Finance costs** | **(2,709)** | (2,037) |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 6 Taxation

**(a) Analysis of credit in the year**

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| UK corporation tax | - | 41 |
| Adjustments in respect of prior years | (41) | (457) |
| Current taxation | (41) | (416) |
| Origination and reversal of timing differences | 17 | 199 |
| Change in tax rate | - | - |
| Adjustments in respect of prior years | (127) | - |
| Deferred taxation (note 16) | (110) | 199 |
| **Total tax charge/(credit)** | **(151)** | (217) |

**(b) Factors affecting tax charge/(credit) for the year**

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **Loss before tax** | **(15,927)** | (8,822) |
| Multiplied by the standard rate of corporation tax in the UK: 20% (2015: 20.25%) | (3,185) | (1,786) |
| *Effects of:* | | |
| Adjustments in respect of prior years | (168) | (457) |
| Expenses not deductible for tax purposes | 267 | 2,992 |
| Group relief received not paid for | - | (933) |
| Change in tax rate | (37) | (33) |
| Tax losses arising in the period | 2,972 | - |
| **Total tax credit** | **(151)** | (217) |

(c) Factors affecting future tax charges

The standard rate of corporation tax in the UK reduced to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting year are being taxed at an effective rate of 20%.

A further reduction to the UK corporation tax rate was substantially enacted for accounting purposes on 26 October 2015, such that the main rate will reduce further to 19% from 1 April 2017 and remain at this rate for the financial years beginning 1 April 2018 and 1 April 2019. In the 2017 budget it was also announced that the corporation tax rate will be reduced by a further 2% to 17% for the financial year beginning 1 April 2020.

## 7 Retirement benefits

The company operates a defined benefit scheme, the Baby & Child Retirement Benefit Plan. The Plan is a final salary scheme which provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary and length of service. The scheme has been closed to new entrants since 1 October 2003.

The Plan is a registered scheme under UK legislation and is contracted out of the State Second Pension. It was established under trust and is governed by the Plan's trust deed and rules dated 19 October 2006. The Plan Trustees are responsible for the operation and governance of the Plan, including making decisions regarding funding and investment strategy in conjunction with the company. The Plan is subject to the scheme funding requirements outlined in UK legislation.

The company is exposed to a number of risks through the defined benefit scheme, the most significant of which are:

*Asset volatility:* The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit and result in an increase in the required employer contribution rate. The company has mitigated the level of investment risk by investing in long-term fixed interest securities with maturities which match the benefit payments as they fall due.

*Life expectancy and inflation:* Unanticipated increases in life expectancy will result in an increase in the Plan's liabilities. Future mortality rates cannot be predicted with certainty. As pensions in payment are linked to inflation, inflationary increases also result in higher sensitivity to changes in life expectancy.

The last scheme funding valuation of the Plan was as at 30 September 2013 and revealed a surplus of £700,000. Contributions to the Plan in the year ending 31 December 2017 are expected to be £151,000 (year ended 31 December 2016: £170,000).

The company also operates a stakeholder plan. Contributions to the plan in the year ended 31 December 2016 were £321,000 (2015: £291,000), charged to employee benefit costs.

The amounts recognised in the statement of financial position are determined as follows:

| | **2016** | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| Present value of funded obligations | **(31,162)** | (24,814) |
| Fair value of plan assets | **34,858** | 27,651 |
| Pension surplus | **3,696** | 2,837 |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 7 Retirement benefits (continued)

The amounts recognised in the statement of comprehensive income are as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Current service cost | **181** | 220 |
| Interest income on net surplus | **(146)** | (137) |
| **Total included in employee benefit costs** | 35 | 83 |
| Remeasurement loss | **(957)** | (956) |
| Deferred tax thereon (note 11) | **163** | 181 |
| **Net total included within other comprehensive income** | **(794)** | (775) |
| **Cumulative remeasurement recognised in the statement of other comprehensive income** | **(85)** | 709 |

The movement in the present value of scheme liabilities over the year is as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| At 1 January | **24,814** | 25,031 |
| Current service cost | **181** | 220 |
| Interest cost | **953** | 890 |
| Employee contributions | **64** | 72 |
| Remeasurement loss/(gain) from change in financial assumptions | **6,919** | (680) |
| Remeasurement gain from changes in demographic assumptions | **(944)** | - |
| Benefits paid | **(825)** | (719) |
| **At 31 December** | **31,162** | 24,814 |

The movement in the fair value of plan assets over the year is as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| At 1 January | **27,651** | 28,738 |
| Interest income | **1,099** | 1,027 |
| Remeasurement gain/(loss) | **5,018** | (1,636) |
| Employer contributions | **1,851** | 169 |
| Employee contributions | **64** | 72 |
| Benefits paid | **(825)** | (719) |
| **At 31 December** | **34,858** | 27,651 |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 7 Retirement benefits (continued)

The principal actuarial assumptions used were as follows:

| | **2016** | 2015 |
|---|---|---|
| Discount rate | **2.80%** | 3.90% |
| Inflation – RPI | **3.25%** | 3.15% |
| Inflation – CPI | **2.25%** | 2.15% |
| Future salary increases | **2.00%** | 2.00% |
| Future pension increases | **3.10%** | 3.05% |

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience.

The average longevity in years of a pensioner retiring at age 65 at the accounting date is as follows:

| | **2016** | 2015 |
|---|---|---|
| Male | **21.9** | 21.9 |
| Female | **24.2** | 24.1 |

The average longevity in years of a pensioner retiring at age 65, 20 years after the accounting date is as follows:

| | **2016** | 2015 |
|---|---|---|
| Male | **23.2** | 23.2 |
| Female | **25.7** | 25.6 |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | **Change in assumption** | **Impact on scheme liabilities** |
|---|---|---|
| Discount rate | Decrease by 0.5% | Decrease by £3,600,000 |
| Salary growth rate | Increase by 0.5% | Increase by £2,300,000 |
| Mortality improvement | Increase life expectancy by 1.25 year | Increase by £400,000 |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied consistently with calculating the pension liability recognised within the statement of financial position.

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 7 Retirement benefits (continued)

Plan assets are comprised as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | £'000 | % | £'000 | % |
| Corporate bonds | 20,056 | 57.54 | 27,568 | 99.70 |
| Inflation & Int bond | 10,706 | 30.71 | - | - |
| Diversified fund | 3,658 | 10.49 | - | - |
| Cash | 438 | 1.26 | 83 | 0.30 |
| | 34,858 | 100.00 | 27,651 | 100.00 |

The plan assets are invested in pooled investment funds which are not considered to have a quoted market price in an active market as defined in IFRS 13. The underlying investments of these funds are corporate bonds.

## 8 Property, plant and equipment

| | Leasehold improvements £'000 | Equipment and vehicles £'000 | Assets under the Course of Construction £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2015 | 10 | 3,604 | - | 3,614 |
| Additions | - | 1,407 | 198 | 1,605 |
| At 31 December 2015 | 10 | 5,011 | 198 | 5,219 |
| Additions | - | 481 | 44 | 525 |
| Disposals | - | (121) | - | (121) |
| **At 31 December 2016** | **10** | **5,371** | **242** | **5,623** |
| **Accumulated depreciation** | | | | |
| At 1 January 2015 | 10 | 1,986 | - | 1,996 |
| Charged during the year | - | 683 | - | 683 |
| At 31 December 2015 | 10 | 2,669 | - | 2,679 |
| Charged during the year | - | 853 | - | 853 |
| Disposals | - | (121) | - | (121) |
| **At 31 December 2016** | **10** | **3,401** | - | **3,411** |
| **Net book amount** | | | | |
| At 1 January 2015 | - | 1,618 | - | 1,618 |
| At 31 December 2015 | - | 2,342 | 198 | 2,540 |
| **At 31 December 2016** | - | **1,970** | **242** | **2,212** |

# 9 Intangible assets

| | Software £'000 | Brands £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2015 | 525 | - | 525 |
| Additions | 595 | 4,995 | 5,590 |
| At 31 December 2015 | 1,120 | 4,995 | 6,115 |
| Additions | 827 | 407 | 1,234 |
| **At 31 December 2016** | **1,947** | **5,402** | **7,349** |
| **Accumulated Amortisation** | | | |
| At 1 January 2015 | - | - | - |
| Charged during the year | 39 | 419 | 458 |
| At 31 December 2015 | 39 | 419 | 458 |
| Charged during the year | 161 | 516 | 677 |
| **At 31 December 2016** | **200** | **935** | **1,135** |
| **Net book amount** | | | |
| At 1 January 2015 | 525 | - | 525 |
| At 31 December 2015 | 1,081 | 4,576 | 5,657 |
| **At 31 December 2016** | **1,747** | **4,467** | **6,214** |

# 10 Investments in subsidiaries

| | **2016 £'000** | 2015 £'000 |
|---|---|---|
| Cost and net book value at 1 January and 31 December | **48** | 48 |

The company has the following investments in subsidiaries:

| Subsidiary companies | Main activities | % ordinary shares | Registered office |
|---|---|---|---|
| Cotton Bottoms Limited | Dormant | 100% | Northumberland Business Park West, Dudley Lane, Cramlington, Northumberland, England, NE23 7RH |
| The Maws Group Limited | Dormant | 100% | Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX,Scotland |
| Maws Suncare Limited | Dormant | 100% | Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX,Scotland |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 10 Investments in subsidiaries (continued)

| Subsidiary companies | Main activities | % ordinary shares | Registered office |
|---|---|---|---|
| Ravina Limited | Dormant | 100% | Northumberland Business Park West, Dudley Lane, Cramlington, 8JX,Scotland |
| Mayborn Japan KK | Non trading | 100% | c/o TA Lawyers GKJ, Shiroyama Trust Tower, Toranomon 4-3-1, Minato-ku, Tokyo, Japan |

The directors believe that the book value of investments is supported by their underlying net assets.

## 11 Deferred tax liability

| | Depreciation in excess of capital allowances £'000 | Other short term timing differences £'000 | Cash flow hedges £'000 | Retirement benefits scheme £'000 | **Total £'000** |
|---|---|---|---|---|---|
| As at 1 January 2015 | 89 | 148 | (86) | (741) | **(590)** |
| Prior year adjustment | 43 | (41) | - | - | **2** |
| (Charged)/credited to statement of comprehensive income | (160) | (54) | (6) | 21 | **(199)** |
| Tax on actuarial loss on retirement benefits scheme | - | - | - | 181 | **181** |
| Tax on fair value gain on hedging instruments | - | - | 9 | - | **9** |
| As at 31 December 2015 | (28) | 53 | (83) | (539) | **(597)** |
| Prior year adjustment | 282 | (38) | (117) | - | **127** |
| Credited/(charged) to statement of comprehensive income | (43) | 278 | - | (252) | **(17)** |
| Tax on actuarial loss on retirement benefits scheme | - | - | - | 163 | **163** |
| Tax on fair value gain on hedging instruments | - | - | 190 | - | **190** |
| **As at 31 December 2016** | **211** | **293** | **(10)** | **(628)** | **(134)** |

Deferred income tax assets are recognised to the extent that the realisation of the asset through future taxable profits is considered probable.

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 12 Inventories

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Goods held for resale | **10,674** | 9,485 |

The company consumed £43,480,000 (2015: £36,963,000) of inventories during the year.

Inventories are stated after a provision for impairment of £1,356,000 (2015: £214,000).

## 13 Trade and other receivables

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Trade receivables | **17,934** | 19,508 |
| Less: provision for impairment of trade receivables | **(253)** | (592) |
| Net trade receivables | **17,681** | 18,916 |
| Owed by fellow subsidiary undertakings | **105,224** | 83,790 |
| Prepayments and accrued income | **716** | 367 |
| Corporation tax | **42** | - |
| Other debtors | **6** | - |
| | **123,669** | 103,073 |

There is no significant difference between the carrying value and fair value of trade and other receivables.

The amounts owed by fellow subsidiary undertakings and the parent company are unsecured, repayable on demand and subject to interest at 3.4% (2015: 2.8%).

## 14 Derivative financial instruments

| | 2016 Asset £'000 | 2016 Liability £'000 | 2015 Asset £'000 | 2015 Liability £'000 |
|---|---|---|---|---|
| Forward foreign exchange contracts – cash flow hedges | **56** | **-** | - | 107 |
| Forward foreign exchange contracts – held for trading | **-** | **-** | - | - |
| Total | **56** | **-** | - | 107 |

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge item is more than 12 months,

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 14 Derivative financial instruments (continued)

and as a current asset or liability if the maturity of the hedge item is less than 12 months. The ineffective portion recognised in profit or loss amounts to £nil (2015: £nil).

The derivatives' fair value is categorised as Level 2, defined as inputs other than quoted prices that are observable for the asset or liability.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during 2017.

## 15 Cash and cash equivalents

| | **2016** | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December: | | |
| Cash at bank and in hand | **9,367** | 15,575 |

## 16 Trade and other payables

| | | As restated |
|---|---|---|
| | **2016** | 2015 |
| | **£'000** | £'000 |
| Trade payables | **3,450** | 6,452 |
| Owed to fellow subsidiary undertakings | **127,871** | 81,908 |
| Owed to parent company | **14,089** | 13,032 |
| Taxation and social security | **778** | 1,013 |
| Corporation tax | **-** | |
| Other payables | **232** | 318 |
| Accruals and deferred income | **7,120** | 18,369 |
| | **153,540** | 121,118 |

The amounts owed to fellow subsidiary undertakings are unsecured, repayable on demand and subject to interest at 3.4% (2015: 2.8%).

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 17 Called up share capital

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Authorised | | |
| 10,000,000 (2015: 10,000,000 ) ordinary shares of £1 each | **10,000** | 10,000 |
| Allotted, called up and fully paid | | |
| 8,500,002 (2015: 8,500,002) ordinary shares of £1 each | **8,500** | 8,500 |

## 18 Share Based Payments

**(a) Executive Long Term Incentive Program**

In 2012, the board decided to incentivise executives through the introduction of the group long term incentive program. This program incentivised management through a cash payment on exit of the previous shareholders 3i. The amount payable was determined based on the return to the shareholders on exit, as calculated based on the sales value of Jake Holdings Limited. At December 2015 the fair value of this liability was calculated using a Black Scholes option pricing model, which took into account the market value of Jake Holdings Limited, the likelihood of exit, the term of the option, and the expected volatility of the value of the business.

The above was accounted for as a cash settled share based payment under IFRS2.The liability recognised at 31 December 2015 was £12,857,000 - included in employee benefit obligations (note 2).

On the sale of Jake Holdings Limited to UK Success Bidco 2 Limited in 2016 this liability became payable. The fair value of the liability at the exercise date was £36,470,000 and the movement during the year has been charged to the profit and loss account.

**(b) Prior year adjustment:**

The group should have accounted for the liability arising under its executive long term incentive plan in prior years. This error has been accounted for as a prior year adjustment.

The correction of this error would show amended figures in the financial statements as follows:

| | 2015 Restated £'000 | 2015 Original £'000 |
|---|---|---|
| Retained profit | **8,475** | 21,332 |
| Current liabilities | **(121,225)** | (108,368) |
| Net current assets | **6,908** | 19,765 |
| Net assets | **17,393** | 30,250 |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 19 Contingent liabilities

**Facilities agreement guarantee**
The company and certain of its subsidiaries has jointly and severally agreed to the punctual performance of borrower or guarantors' obligations under the Facilities Agreement dated 20 June 2016, as signed with the Group's lenders. The total sum secured by these guarantees is £130,000,000 (2015: £63,179,000).

The Group has secured all monies due under the Facilities Agreement with fixed and floating charges over all property and assets of the company, together with the assets of certain subsidiaries, in favour of Lloyds Bank Plc, also in its capacity as security agent for the beneficiaries of the Facilities Agreement

## 20 Operating lease commitments

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

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Within one year | **309** | 356 |
| Between one year and five years | **724** | 991 |
| | **1,033** | 1,347 |

## 21 Related party transactions

Balances outstanding at 31 December with other group companies are:

| **Amounts owed by related companies** | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Mayborn USA Inc | **4,282** | 4,153 |
| Mayborn ANZ Pty | **241** | - |
| Mayborn Morocco SARL | **1,649** | 1,858 |
| Mayborn France SARL | **2,102** | 1,070 |
| Jake Holdings Limited | **8,996** | 1,865 |
| Jake Investment Limited | **6,876** | - |
| Jake Acquisition Limited | **81,078** | 74,844 |
| | **105,224** | 83,790 |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 20 Related party transactions (continued)

| Amounts owed to related companies | **2016** **£'000** | 2015 £'000 |
|---|---|---|
| Sangenic International Limited | **(77,930)** | (59,625) |
| Mayborn Group Limited | **(14,089)** | (13,032) |
| Mayborn ANZ Pty | **-** | (395) |
| Product Marketing Mayborn Limited | **(25,268)** | (17,869) |
| Jackel International (UK) Limited | **(501)** | (501) |
| Kindertec Limited | **(534)** | (514) |
| Steri-Bottle UK Limited | **(311)** | (292) |
| Cotton Bottoms Limited | **(39)** | (39) |
| Ravina Limited | **(5)** | (5) |
| Haditos Limited | **(2)** | (2) |
| Success Bidco 2 Limited | **(23,281)** | - |
| Jake Investment Limited | **-** | (2,666) |
| | **(141,960)** | (94,940) |

These amounts owed to related companies are unsecured and repayable on demand. Interest is payable on trading balances at 3.4% (2015: 2.8%).

The following transactions were carried out during the year with related parties, all of whom are fellow subsidiary companies of the company's ultimate parent.

| | **2016** **£'000** | 2015 £'000 |
|---|---|---|
| **Sales of goods and services to fellow subsidiaries:** | | |
| Recharges for management and other services | | |
| - Sangenic International Limited | **1,137** | 426 |
| - Kindertec Limited | **183** | 270 |
| - Steri-Bottle UK Limited | **-** | 6 |
| - Mayborn France SARL | **1,512** | 769 |
| - Mayborn ANZ Pty | **772** | - |
| - Mayborn USA Inc | **1,599** | 4 |
| - Product Market Mayborn Limited | **675** | - |
| **Amounts charged to fellow subsidiaries under distribution agreements** | | |
| - Mayborn USA Inc | **3,175** | 4,667 |
| -Product Marketing Mayborn | **6,026** | 1,164 |
| **Purchases of goods from fellow subsidiaries:** | | |
| Purchases of goods – Product Marketing Mayborn Limited | **(43,457)** | (30,854) |

# Notes to the financial statements for the year ended 31 December 2016 (continued)

## 20 Related party transactions (continued)

**The company undertakes, under an agency agreement, the sales invoicing and debt collection activities for two fellow subsidiaries. The following sales invoicing transactions have taken place during the year however are excluded from turnover:**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Sangenic International Limited | 27,832 | 22,568 |
| Steri-Bottle Limited | 5 | 69 |
| **The company has been charged royalties on products which it sells as follows:** | | |
| Kindertec Limited | 204 | 300 |
| **Amounts charged to fellow subsidiaries under distribution agreements** | | |
| Mayborn France SARL | 242 | 860 |
| Mayborn ANZ Pty | 549 | 331 |

**Key management compensation**

Directors' emoluments are disclosed in note 4. There are no employees other than the directors who are considered to be key management.

## 22 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Mayborn Group Limited, a company registered in England and Wales.

During the year 3i sold the business to Success Bidco 2 Limited, which became the new parent company. The ultimate controlling interest is held by Ping An Insurance (Group) Company of China Limited, a company based in China, with no single controlling party.

These financial statements are consolidated by Jake Holdings Limited. The largest group to consolidate these financial statements are those of Ping An Insurance (Group) Company of China Limited.