

Registered number: 210533

The Wrigley Company Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 29 December 2018

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The Wrigley Company Limited

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The Wrigley Company Limited

**Strategic Report
For the Period Ended 29 December 2018**

The directors present their Strategic Report for the period ended 29 December 2018. The results represent the 52 week period ended 29 December 2018, and the comparatives the 52 week period ended 30 December 2017.

Business review, results and period end position

The profit for the financial period amounted to £530,159,691 (30 December 2017: £34,519,450). The net assets of the Company at the period end were £1 (30 December 2017: £178,946,580). The comparative results for 2017 have been restated. Further details of the amendments can be found in note 1.11.

The Company ceased trading and transferred its trade and assets to Mars Wrigley Confectionery UK Limited on 25 February 2018, and so these financial statements have been prepared on a basis other than going concern. The directors have decided that the Company will be liquidated as a result.

Net assets were transferred at a value of £158,948,788. No adjustments were necessary in these financial statements to reduce assets to their net realisable values or to provide for liabilities arising from the decision. Profit on sale of trade and assets amounted to £541,051,212.

The entity also transferred operating lease commitments as shown in note 22 to Mars Wrigley Confectionery UK Limited on 25 February 2018

Principal risks and uncertainties

Principal risk

The principal risks and uncertainties facing the Company include:

- possible fluctuations in the price and availability of raw materials, which are mitigated by contracts with suppliers, and
- accidental or malicious contamination of our products, which is prevented by operating a robust quality control procedure.

Financial management risk

The Company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, exchange rate, liquidity and credit. The Company seeks to limit the adverse effects on the financial performance of the Company by monitoring the impact of these and addressing them accordingly.

The Company has specific policies and guidelines to manage financial risk and these policies are implemented by the Company's finance department.

Commodity price risk

The Company is exposed to commodity price risk as a result of its operations. Management monitor fluctuations in commodity prices and assess the need to hedge such exposure.

Exchange rate risk

The Company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The contracts are arranged through Wm. Wrigley Jr. Company.

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generation via cash collection targets.

Credit risk

The Company has implemented policies that require appropriate checks on potential customers before sales are made. Ongoing review of credit checks are made on customers depending on changes in trading relationships, information received from other sources and time elapsed from previous information obtained.

The Wrigley Company Limited

Strategic Report (continued)
For the Period Ended 29 December 2018

This report was approved by the board on 16 September 2019 and signed on its behalf.

C Moss
Director



The Wrigley Company Limited

Directors' Report For the Period Ended 29 December 2018

The directors present their report and the audited financial statements for the period ended 29 December 2018. The results represent the 52 week period ended 29 December 2018, and the comparatives represent the 52 week period ended 30 December 2017. The comparatives for the period ended 30 December 2017 have been restated; further details can be found in note 1.11.

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 52 week period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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;
- 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.

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.

Dividends

The profit for the financial period can be found within the Strategic Report.

Dividends of £700,000,000 (2017: £nil) have been proposed and paid to the holders of the ordinary shares; this represents £62.2222222 per ordinary share (2017: £nil). No final dividend has been proposed (2017: £nil).

Directors

The directors who served during the period, and up to the date of signing, unless otherwise stated, were:

S Bell (resigned 5 January 2018)
K Fox (resigned 15 March 2019)
M Stuparitz
J Sprotte (appointed 5 January 2018)
C Moss (appointed 5 January 2018)
D Manzini (appointed 5 January 2018)

Political contributions

During the period the Company made contributions to charities of £nil (30 December 2017: £16,634). No political contributions were made during the period (30 December 2017: £nil).

The Wrigley Company Limited

Directors' Report (continued) For the Period Ended 29 December 2018

Going concern

The Company ceased trading and transferred its trade and assets to Mars Wrigley Confectionery UK Limited on 25 February 2018, and so these financial statements have been prepared on a basis other than going concern. The directors have decided that the Company will be liquidated as a result.

Net assets were transferred at a value of £158,948,788. No adjustments were necessary in these financial statements to reduce assets to their net realisable values or to provide for liabilities arising from the decision. Adjustments have been made to reclassify fixed assets and long-term liabilities as current assets and liabilities.

The entity also transferred operating lease commitments as shown in note 22 to Mars Wrigley Confectionery UK Limited on 25 February 2018.

Given the Company has ceased trading and transferred its trade and assets, the directors have assessed the impact of Brexit and determined that it is negligible.

Financial risk management

Details of the financial risks for the Company can be found within the Strategic report.

Environmental matters

The Company seeks to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues.

The products manufactured and sold by the Company have minimal environmental impact. However, the board believes that good environmental practices support the board's strategy by enhancing the reputation of the Company, the efficiency of production and the quality of the products.

The Company has installed a rainwater harvesting system, diverted waste to biogas and recycling plants and continually looks for ways to reduce energy consumption.

In 2013, the Company was the first Fast Moving Consumer Goods (FMCG) company in the UK to obtain The Wildlife Trust "Biodiversity Benchmark" award. This award recognises continual biodiversity improvement and provides a framework within which an organisation can ensure that its impact is as positive as it possibly can be by providing robust, independent verification of planning and implementation of land management practices.

Future developments

The future developments of the Company are explained within the Strategic Report.

Company policy for payment of creditors

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

At 29 December 2018, the Company did not have any supplier balances in order to calculate the average number of days purchases were outstanding in trade creditors (30 December 2017: 70 days). The Company's standard payment terms are 60 days.

Research and development activities

During the period, ingredient and technology research was carried out by the ultimate parent company in the USA. Product development costs in the UK were expensed as incurred.

The Wrigley Company Limited

Directors' Report (continued)
For the Period Ended 29 December 2018

Disabled employees

The Company's policy is to give full and fair consideration to applications for employment received from disabled persons. Retraining facilities are available and every consideration is given to providing suitable alternative work where employees become disabled in service. Disabled persons with the necessary skills and ability are encouraged to apply for suitable promotion or further training opportunities.

Directors' Indemnities

The Company maintains liability insurance for its directors and officers, which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006. The indemnity was in force throughout the financial period and also at the date of approval of the financial statements.

Disclosure of information to independent auditors

In accordance with Section 418 of the Companies Act 2006, the directors who were in office at the date the directors' report was approved, confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the board on 16 September 2019 and signed on its behalf.



C Moss
Director

The Wrigley Company Limited

Report on the audit of the financial statements

Independent auditors' report to the members of The Wrigley Company Limited

In our opinion, The Wrigley Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2018 and of its profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 29 December 2018; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1.1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

The Wrigley Company Limited

Report on the audit of the financial statements

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 29 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report

Use of this report

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

The Wrigley Company Limited

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

16 September 2019

The Wrigley Company Limited

**Income Statement
For the Period Ended 29 December 2018**

	Note	Period ended 29 December 2018 £	Period ended 30 December 2017 restated £
Turnover	3	32,524,448	241,225,475
Cost of sales		(18,027,571)	(117,199,045)
Gross profit		14,496,877	124,026,430
Distribution costs		(895,759)	(6,382,396)
Administrative expenses		(9,705,506)	(74,058,910)
Other operating income	4	541,051,212	-
Operating profit	5	544,946,824	43,585,124
Interest receivable and similar income	8	404,959	2,531,288
Interest payable and similar expenses	9	(304,000)	(1,798,000)
Profit before tax		545,047,783	44,318,412
Tax on profit	10	(14,888,092)	(9,798,962)
Profit for the financial period		530,159,691	34,519,450

The notes on pages 14 to 38 form part of these financial statements

See note 1.11 for details regarding the restatement of 2017 comparatives.

The Wrigley Company Limited

**Statement of Comprehensive Income
For the Period Ended 29 December 2018**

	29 December 2018 £	30 December 2017 restated £
Profit for the financial period	530,159,691	34,519,450
Actuarial (loss)/gain on defined benefit schemes	(10,972,000)	1,248,000
Deferred tax in relation to post retirement benefits and pension (defined benefit scheme)	1,865,730	(212,160)
Total comprehensive income for the period	521,053,421	35,555,290

The notes on pages 14 to 38 form part of these financial statements.

See note 1.11 for details regarding the restatement of 2017 comparatives.

The Wrigley Company Limited
Registered number:210533

Balance Sheet
As at 29 December 2018

	Note	29 December 2018 £	30 December 2017 restated £
Current assets			
Intangible assets	11	-	99,640,479
Tangible assets	12	-	29,398,049
Stocks	13	-	11,757,345
Debtors	14	441,120	121,554,277
Cash at bank and in hand	15	1	50,030,947
		<u>441,121</u>	<u>312,381,097</u>
Creditors: amounts falling due within one year	16	(441,120)	(62,946,517)
Net current assets		<u>1</u>	249,434,580
Total assets less current liabilities		<u>1</u>	249,434,580
Pension liability	20	-	(70,488,000)
Net assets		<u>1</u>	<u>178,946,580</u>
Capital and reserves			
Called up share capital	22	1	11,250,000
Share premium account		-	96,000,000
Profit and loss account		-	71,696,580
Total equity		<u>1</u>	<u>178,946,580</u>

See note 1.11 regarding the restatement of 2017 comparatives.

The financial statements on pages 9 to 38 were approved and authorised for issue by the board of directors and were signed on its behalf by:


C Moss
Director

Date: 16 September 2019

The Wrigley Company Limited

**Statement of Changes in Equity
For the Period Ended 29 December 2018**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 31 December 2017 (as restated)	11,250,000	96,000,000	71,696,580	178,946,580
Comprehensive income for the period				
Profit for the period	-	-	530,159,691	530,159,691
Actuarial loss on pension scheme arising during the period	-	-	(10,972,000)	(10,972,000)
Movement on deferred tax relating to pension loss	-	-	1,865,730	1,865,730
Total comprehensive income for the period	-	-	521,053,421	521,053,421
Dividends: equity capital	-	-	(700,000,000)	(700,000,000)
Capital reduction	(11,249,999)	(96,000,000)	107,249,999	-
At 29 December 2018	1	-	-	1

The notes on pages 14 to 38 form part of these financial statements.

The Wrigley Company Limited

**Statement of Changes in Equity
For the Period Ended 30 December 2017**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017 (as previously stated)	11,250,000	96,000,000	41,331,290	148,581,290
Impact of prior year adjustment on opening reserves (see note 1.11)	-	-	(5,190,000)	(5,190,000)
At 1 January 2017 (as restated)	11,250,000	96,000,000	36,141,290	143,391,290
Comprehensive income for the period				
Profit for the period	-	-	34,519,450	34,519,450
Actuarial gain on pension scheme arising during the period	-	-	1,262,000	1,262,000
Impact of prior year adjustment on actuarial gain on pension scheme	-	-	(14,000)	(14,000)
Movement in deferred tax relating to pension gain	-	-	(215,160)	(215,160)
Impact of prior year adjustment on deferred tax relating to pension gain	-	-	3,000	3,000
Total comprehensive income for the period	-	-	35,555,290	35,555,290
At 30 December 2017 (as restated)	11,250,000	96,000,000	71,696,580	178,946,580

The notes on pages 14 to 38 form part of these financial statements.

See note 1.11 regarding the restatement of 2017 comparatives.

The profit for the period ended 30 December 2017 as previously stated was £34,421,450. The impact of the prior year adjustment on the profit for the period ended 30 December 2017 was a net increase of £98,000.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

1. Accounting policies

1.1 Statement of compliance

The financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, and in accordance with Financial Reporting Standards 102, "The Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The Company ceased trading and transferred its trade and assets to Mars Wrigley Confectionery UK Limited on 25 February 2018, and so these financial statements have been prepared on a basis other than going concern. The directors have decided that the Company will be liquidated as a result.

Net assets were transferred at a value of £158,948,788. No adjustments were necessary in these financial statements to reduce assets to their net realisable values or to provide for liabilities arising from the decision. Adjustments have been made to reclassify fixed assets and long-term liabilities as current assets and liabilities.

The entity also transferred operating lease commitments as shown in note 22 to Mars Wrigley Confectionery UK Limited on 25 February 2018.

The accounting policies outlined below have been applied on a consistent basis and, where necessary, have been updated to include any policies which are now considered significant given the presentation of the financial statements on a basis other than going concern. Some of the amounts reported for the previous period have been restated. Detailed information about these restatements can be found in note 1.11.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

1.2 General Information

The Company provides gum, mints and confections product offerings, up to the date of transfer of trade on 25 February 2018. Since then, the Company has been dormant.

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Estover, Plymouth, Devon, PL6 7PR.

The accounting policies have been consistently applied and are outlined below.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

1. Accounting policies (continued)

1.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

i) The Company is a wholly-owned subsidiary of Wrigley Uno UK Limited and is included in the consolidated financial statements of Wrigley International Holding Company.

Consequently, the Company has taken advantage of the exemption from preparing a statement of cash flows under the terms of paragraph 1.12 of FRS 102.

ii) The requirements of Section 33 - Related Party Disclosures, paragraph 33.7.

1.4 Turnover recognition

Turnover comprises revenue recognised by the Company in respect of goods supplied during the period, exclusive of Value Added Tax and trade discounts.

The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

1.5 Tangible assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	- over 20 to 40 years
Plant & machinery	- over 3 to 10 years

No depreciation is provided on freehold land.

No depreciation is charged on assets which have yet to be commissioned. Depreciation is charged from the month in which the asset is brought into use.

Regular reviews of fixed assets are undertaken to identify any assets which are either no longer in use or have suffered a diminution in value. Any impairments identified from this exercise are taken to the profit and loss as the difference between the value calculated in the review based on higher of net realisable value and value in use and that held in the Company's books.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

1. Accounting policies (continued)

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is determined using the first in, first out method (FIFO) and includes all direct costs and an appropriate proportion of fixed and variable overheads.

Display stands and spare parts stock are expensed immediately upon purchase to the Income Statement.

1.7 Product development

During the period, ingredient and technology research was carried out by the ultimate parent company in the USA. Product development costs in the UK were expensed as incurred.

1.8 Taxation

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies for which no consideration is paid.

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the Balance Sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred taxation assets and liabilities have not been discounted.

1.9 Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the Balance Sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the income statement.

1.10 Financial instruments

Foreign currency exposure is monitored and any major currency risk is covered with appropriate forward contracts arranged through Wm. Wrigley Jr. Company, an intermediate parent undertaking. All differences arising from the retranslation and settlement of such instruments is taken to the income statement. All gains and losses on derivatives in respect of future transactions are deferred. The principle value of contracts held at 29 December 2018 are disclosed in the notes to the financial statements.

The Wrigley Company Limited

Notes to the Financial Statements
For the Period Ended 29 December 2018

1. Accounting policies (continued)

1.11 Pensions

The Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 25 February 2018 by a qualified independent actuary.

The Company operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. The regular cost of providing retirement benefits to employees during the period is charged to operating profit in the period. The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the period. The expected return on the assets of the scheme during the period based on the market value of scheme assets at the start of the financial period is included within other finance income. This also includes a charge representing the expected increase in liabilities of the scheme during the period, arising from the liabilities of the scheme being one period closer to payment. Differences between actual and expected costs arising from the experience of the plans or changes in actuarial assumptions are recognised immediately in the statement of recognised gains and losses in the period.

The assets and liabilities are recognised at fair value at each Balance Sheet date, with the net defined benefit pension scheme liability reported on the Balance Sheet within the pension liability. This liability is reported net of related deferred tax.

The Company additionally operates an unfunded, non-contributory, self-administered deferred cash promise (mirror promise) scheme. The deficit of this promise is recognised in full on the Balance Sheet and represents the present value of the promise obligation at the Balance Sheet date. The Company also operates an International Associate Retirement Plan (IARP) which is an unfunded scheme that does not require any associate contributions. The deficit of this scheme is recognised in full on the Balance Sheet and represents the present value of the obligation at the Balance Sheet date.

Historically, the accounting treatment of the Mirror Promise and IARP pension arrangements have been disclosed within long term liabilities. As part of the transfer of trade and assets to Mars Wrigley Confectionery UK Limited, it was identified that the value of the liabilities recognised were incomplete. The opening reserves position has been updated to reflect the full fair value of the liability under these two arrangements. Additionally, the accounting treatment of the commitments have been aligned to that of the rest of the Mars UK group of entities and as such, determined to be more akin to that of a pension liability, therefore the commitments have been reclassified to pensions.

The impact of the restatement on opening reserves, as presented through the Statement of Changes In Equity, is a net decrease of £5,190,000. This is made up of a decrease in long term liabilities of £5,855,000, an increase in pension liabilities of £12,108,000 and an increase in deferred tax asset of £1,062,000.

The impact of the restatement on the net assets as at 30 December 2017 is a reduction of £5,103,000, which is comprised of a decrease in long-term liabilities of £8,223,000, an increase in pension liabilities of £14,371,000, and an increase in the deferred tax asset of £1,045,000.

In 2017 the impact on the recognised total comprehensive income for the period is broken down as follows:

- The impact recognised in the Income Statement is a decrease in cost of sales of £415,000, an increase in interest payable and similar expenses of £297,000, and an increase in tax on profit of £20,000.
- The impact recognised in the Statement of Comprehensive Income is a decrease in actuarial gains

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

1. Accounting policies (continued)

on defined benefit schemes of £14,000, and a decrease in deferred tax in relation to post retirement benefits of £3,000.

1.12 Intangible assets - goodwill

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the company's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill is amortised over the expected useful life which is assessed to be 50 years given the longstanding established brands supporting this longevity.

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement

Reversals of impairment are recognised when the reasons for impairment no longer apply.

1.13 Consolidated financial statements

The Company is a wholly-owned subsidiary of Wrigley Uno UK Limited and is included in the consolidated financial statements of Wrigley International Holding Company.

Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006. These financial statements therefore contain information about the Company only.

1.14 Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term

1.15 Dividend income

Dividend income is recognised when the right to receive payment is established.

1.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction net of tax from proceeds.

1.17 Distributions to equity shareholders

Dividends and other distributions to Company shareholders are recognised as a liability in the financial statements once approved by Company shareholders. These amounts are recognised in the Statement of Changes in Equity.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

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

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

**2. Judgements in applying accounting policies (continued)
Critical judgements in applying the Company's accounting policies**

- i) Electing not to restate business combinations that occurred before the transition date. Assets and liabilities at transition date reviewed and no material changes deemed required.
- ii) Deferred tax not recognised on unremitted earnings from subsidiaries as there is no binding agreement to distribute the past earnings in the future.
- iii) Deciding not to measure property, plant and equipment on the date of transition to FRS 102 at their fair value and use that fair value as their deemed cost to date.
- iv) Intercompany loans considered to be at market rate.
- v) Deciding not to designate financial instruments at the date of transition to FRS 102 at fair value through profit and loss as it would not provide more relevant information.
- vi) Electing not to apply FRS 102 to lease incentives on leases existing before the date of transition.
- vii) Choosing to apply the full provisions of section 11 and 12 of FRS 102 in relation to financial instruments.
- viii) Foreign currency transactions recognised at the monthly average exchange rate.
- ix) Choosing to measure investment in subsidiaries at cost, not at deemed cost, which is the carrying amount at transition date.

Key accounting estimates and assumptions

i) Fair values of derivatives

The fair values of derivatives involved the use of valuation of the difference between the agreed forward rate and the spot rate at the Balance Sheet date

ii) Impairment of goodwill

The Company considers whether goodwill is impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

iii) Impairment of inventory

The Company considers whether inventory is impaired. Selling price less cost to complete and sell is estimated for inventory.

iv) Defined benefit scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Balance Sheet. The assumptions reflect historical experience and current trends.

v) Useful life of goodwill

The Company has concluded to amortise goodwill over 50 years.

vi) Holiday pay accrual

The Company considers the expected cost of accumulating compensating absences when employees render services that increase their entitlement to compensated absences. The largest potential estimate

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

- 2. Judgements in applying accounting policies (continued)**
for a holiday pay accrual is based on total basic pay multiplied by the number of days allowed to be carried forward as a percentage of total working days for the period.

vii) Impairment of tangible fixed assets

The Company considers whether tangible fixed assets are impaired. Carrying value is compared against estimated discounted cash flows for the unit.

viii) Impairment of financial assets

The Company considers whether equity instruments held in financial assets and other individually significant financial assets are impaired. Net present value of future cash flows is estimated for these financial assets and compared against book value.

ix) Trade promotions accrual

The Group/Company considers the value of an accrual for trade promotions using promotional guidelines which show the promotional mechanics, level of funding recommended and the expected uplifts those promotions generically deliver based on historical performance where we have data.

3. Turnover

Analysis of turnover by country of destination

	29 December 2018 £	30 December 2017 £
United Kingdom	25,632,937	201,475,726
Rest of European Union	5,927,481	34,245,703
Rest of World	964,030	5,504,046
	32,524,448	241,225,475

All turnover is generated through the sale of products.

4. Other operating income

	29 December 2018 £	30 December 2017 £
Non-taxable profit on sale of trade, assets and liabilities to Mars Wrigley Confectionery UK Limited	541,051,212	-
	541,051,212	-

The Wrigley Company Limited

Notes to the Financial Statements
For the Period Ended 29 December 2018

5. Operating profit

The operating profit is stated after charging/(crediting).

	29 December 2018 £	30 December 2017 £
Depreciation of tangible assets	563,806	3,612,809
Amortisation of intangible assets, including goodwill	326,155	6,359,582
Fees payable for the audit	-	99,000
Fees payable for other services	15,319	78,641
Operating leases		
- other operating leases	(17,270)	1,524,195
- land and buildings	(48,189)	554,610
Loss on sale of fixed assets	-	6,125
Inventory recognised as an expense	17,134,069	111,044,341
Difference on foreign exchange	(51,938)	186,040
Debtors (released from)/written off to bad debt provision	(38,123)	1,635,675
Derivative financial instrument loss/(gain)	144,449	(1,738,551)

The audit fees are fully borne by Mars Wrigley Confectionery UK Limited.

The fees payable for other services relate to tax compliance and other tax advisory services.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	29 December 2018 £	30 December 2017 restated £
Wages and salaries	3,670,178	23,643,006
Social security costs	601,441	3,424,266
Other pension costs	1,100,000	7,039,000
	<u>5,371,619</u>	<u>34,106,272</u>

The average monthly number of employees, including the directors, during the period was as follows:

	29 December 2018 No.	30 December 2017 No.
Production	37	248
Other	33	254
	<u>70</u>	<u>502</u>

7. Directors' remuneration

	29 December 2018 £	30 December 2017 £
Directors' emoluments	<u>232,578</u>	<u>1,174,756</u>

Emoluments due to M Stuparitz and J Sprotte were paid by other group companies. These directors provided no qualifying services to the Company and accordingly their emoluments are not included in the above.

The highest paid director received remuneration of £195,198 (31 December 2017: £873,825). The highest paid director has not participated in the defined benefit scheme.

During the period retirement benefits were accruing to 2 directors (2017: 3 directors) under the group's defined benefit pension schemes and no directors (2017: none) under the group's money purchase scheme.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

8. Interest receivable and similar income

	29 December 2018 £	30 December 2017 £
Interest receivable from group companies	398,669	2,518,607
Bank interest	6,290	12,681
	404,959	2,531,288

9. Interest payable and similar expenses

	29 December 2018 £	30 December 2017 restated £
Net interest expense on post employment benefits	304,000	1,798,000
	304,000	1,798,000

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

10. Tax on profit

	29 December 2018 £	30 December 2017 restated £
Corporation tax		
UK corporation tax charge on profit for the period	1,460,610	8,801,990
Adjustments in respect of prior periods	(126,090)	(151,679)
Total current tax	1,334,520	8,650,311
Deferred tax		
Origination and reversal of timing differences	13,716,200	1,154,715
Adjustments in respect of prior periods	(212,726)	129,000
Effect of changes in tax rates	60,098	(135,064)
Total deferred tax	13,553,572	1,148,651
Tax on profit	14,888,092	9,798,962

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

10. Tax on profit (continued)

Factors affecting tax charge for the period

The difference between tax assessed for the period at the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%) and the total charge are explained below:

	29 December 2018 £	30 December 2017 restated £
Profit before tax	545,047,783	44,318,412
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	103,559,079	8,531,294
Effects of:		
Expenses not deductible	228,469	1,425,411
Non-taxable profit on sale to Mars Wrigley Confectionery UK Limited	(102,799,731)	-
Adjustments in respect of prior periods	(338,816)	(22,679)
Tax rate changes	50,098	(135,064)
Deferred tax asset released on sale to Mars Wrigley Confectionery UK Limited	14,188,993	-
Total tax charge for the period	14,888,092	9,798,962

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

10. Tax on profit (continued)

Factors that may affect future tax charges

The Finance Act 2016 included legislation to reduce the rate to 17% from 1 April 2020. The reduction has been enacted at the Balance Sheet date and therefore reflected in these financial statements.

11. Intangible assets

	Goodwill £
Cost	
At 31 December 2017	106,000,000
Sale to Mars Wrigley Confectionery UK Limited	(106,000,000)
	<hr/>
At 29 December 2018	-
	<hr/>
Amortisation	
At 31 December 2017	6,359,521
Charge for the period	326,155
Sale to Mars Wrigley Confectionery UK Limited	(6,685,676)
	<hr/>
At 29 December 2018	-
	<hr/>
Net book value	
At 29 December 2018	-
	<hr/>
At 30 December 2017	99,640,479
	<hr/>

The goodwill held is in relation to Wrigley Candy UK, the Company's wholly-owned dormant subsidiary, which previously hived up its trade and assets to the Company. Wrigley Candy UK is a private unlimited company incorporated in England. Its registered address is Estover, Plymouth, Devon, PL6 7PR.

As a result of the basis of preparation being a basis other than going concern, these balances were included as current assets as at 30 December 2017. These assets were transferred to Mars Wrigley Confectionery UK Limited on 25 February 2018.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

12. Tangible assets

	Freehold property £	Plant & machinery £	Total £
Cost or valuation			
At 31 December 2017	15,134,625	96,746,780	111,881,405
Additions	26,997	1,392,343	1,419,340
Sale to Mars Wrigley Confectionery UK Limited	(15,161,622)	(98,139,123)	(113,300,745)
At 29 December 2018	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
At 31 December 2017	10,769,275	71,714,081	82,483,356
Charge for the period	90,650	473,156	563,806
Sale to Mars Wrigley Confectionery UK Limited	(10,859,925)	(72,187,237)	(83,047,162)
At 29 December 2018	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 29 December 2018	<u>-</u>	<u>-</u>	<u>-</u>
At 30 December 2017	<u>4,365,350</u>	<u>25,032,699</u>	<u>29,398,049</u>

The net book value of land and buildings may be further analysed as follows:

	29 December 2018 £	30 December 2017 £
Freehold	-	4,366,245
	<u>-</u>	<u>4,366,245</u>

As a result of the basis of preparation being a basis other than going concern, these balances were included as current assets as at 30 December 2017. These assets were transferred to Mars Wrigley Confectionery UK Limited on 25 February 2018

The Wrigley Company Limited

Notes to the Financial Statements
For the Period Ended 29 December 2018

13. Stocks

	29 December 2018 £	30 December 2017 £
Raw materials	-	2,857,163
Finished goods and goods for resale	-	8,900,182
	-	11,757,345

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks are stated after provisions for impairment of £nil (30 December 2017: £203,000).

14. Debtors

	29 December 2018 £	30 December 2017 restated £
Due within one year		
Trade debtors	-	15,342,737
Amounts owed by group undertakings	-	91,564,981
Other debtors	-	690,349
Financial instruments	-	360,711
Prepayments and accrued income	-	1,907,657
Tax recoverable	441,120	-
Deferred tax asset (see note 18)	-	11,687,842
	441,120	121,554,277

The amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Included in amounts owed by group undertakings is a loan of £nil (30 December 2017: £91,750,000) due from the parent company. Interest accrues on this loan at a rate of 0.00% per annum (30 December 2017: 2.82% per annum). All other amounts owed by group undertakings relate to trading items.

Trade debtors are stated less provisions for impairment of £nil (30 December 2017: £1,594,000).

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

15. Cash and cash equivalents

	29 December 2018 £	30 December 2017 £
Cash at bank and in hand	1	50,030,947
	<u>1</u>	<u>50,030,947</u>

16. Creditors: amounts falling due within one year

	29 December 2018 £	30 December 2017 restated £
Trade creditors	-	29,949,379
Amounts owed to group undertakings	441,120	103,452
Corporation tax	-	3,893,517
Other taxation and social security	-	5,359,762
Other creditors	-	10,023,483
Financial instruments	-	569,582
Accruals and deferred income	-	13,047,342
	<u>441,120</u>	<u>62,946,517</u>

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

Within other creditors are £nil (30 December 2017: £640,000) of incentive payments due to staff and directors.

As a result of the event discussed in the Strategic Report, these obligations were transferred to Mars Wrigley Confectionery UK Limited on 25 February 2018.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

17. Financial instruments

	29 December 2018	30 December 2017 restated
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	-	360,711
Financial assets that are debt instruments measured at amortised cost	1	157,629,014
	<u>1</u>	<u>157,989,725</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	-	(569,582)
Financial liabilities measured at amortised cost	-	(53,123,656)
	<u>-</u>	<u>(53,693,238)</u>

Derivative financial instruments - forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency denominated assets and liabilities. The value of the contracts undertaken is based on forecast foreign currency cash flow exposures for the period over which the contract applies. The forward foreign currency contracts are arranged through Wm. Wrigley Jr. Company and settled in the US but all associated benefits/costs are passed to the Company.

In line with Section 12 of FRS 102, the forward currency contracts are measured at fair value at each Balance Sheet date and the difference between the value of the contracts at spot and forward rate is recorded in the Balance Sheet. Fair value is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the agreed forward exchange rates and the spot rates at the Balance Sheet date. The gain or loss on the contracts is taken to the Income Statement.

As at 29 December 2018, there are no open contracts (30 December 2017: all outstanding contracts were set to mature within 12 months of the year end). The Group is not committed to buying any foreign currencies (30 December 2017: committed to buy net US \$22,550,000, buy net €23,105,037, sell 27,200,000kr, sell AUS \$2,300,000, sell 4,620,000 Israeli New Shekels, sell 5,400,000 lei, and pay a fixed sterling amount).

The fair value of forward foreign currency contracts as at 29 December 2018 was £nil (30 December 2017: a £208,871 net liability).

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

18. Deferred taxation

	29 December 2018	30 December 2017 restated
	£	£
At beginning of period	11,687,842	13,048,653
Charge/(credit) to income statement	(13,553,572)	(1,148,651)
Charge/(credit) to other comprehensive income	1,865,730	(212,160)
At end of period	-	11,687,842

The deferred tax asset is made up as follows:

	29 December 2018	30 December 2017 restated
	£	£
Fixed asset timing differences	-	(563,158)
Short-term timing differences	-	4,889,000
Pension	-	7,362,000
	-	11,687,842

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the reporting date.

19. Capital commitments

At the period end the Company had capital commitments as follows

	29 December 2018	30 December 2017
	£	£
Contracted for but not provided in these financial statements	-	4,839,697
	-	4,839,697

As a result of the event discussed in the Strategic Report, these commitments transferred to Mars Wrigley Confectionery UK Limited on 25 February 2018 unless already accounted for in the period to 25 February 2018.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

20. Pension commitments

The Company operated a defined benefit pension scheme in the UK and Ireland which provided benefits based on final salary. A full actuarial valuation, using the projected unit method, was carried out in the UK scheme at 31 December 2017 by a qualified independent actuary.

The employer contribution rate to the plan for the period ended 29 December 2018 was 32.8% (30 December 2017: 32.8%) of pensionable salaries. The employer agreed with the plan trustees that this rate will continue to be paid until 31 December 2019. The employer, as of 25 February 2018, is the related group undertaking, Mars Wrigley Confectionery UK Limited.

The Company additionally operates an unfunded, non-contributory, self-administered deferred cash promise (mirror promise) scheme. The Company also operates an International Associate Retirement Plan (IARP) which is an unfunded scheme that does not require any associate contributions.

The Company also provides certain additional healthcare benefits which are unfunded.

The amounts recognised in the Balance Sheet are as follows:

	29 December 2018	30 December 2017 restated
	£	£
Present value of funded obligations	-	(317,296,000)
Fair value of scheme assets	-	246,808,000
Net pension scheme liability	-	(70,488,000)

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

20. Pension commitments (continued)

The amounts recognised in the Income Statement are as follows

	29 December 2018 £	30 December 2017 restated £
Operating profit		
Current service cost	(1,100,000)	(7,039,000)
Plan introductions, changes, curtailments and settlements	(1,969,000)	-
Administrative costs	(118,000)	(732,000)
Total	(3,187,000)	(7,771,000)
Net interest expense on post employment benefits		
Interest income on plan assets	914,000	5,691,000
Interest on defined benefit obligation	(1,218,000)	(7,489,000)
Total	(304,000)	(1,798,000)
Statement of Comprehensive Income (OCI)		
Actuarial (loss) arising during the period	(2,343,000)	(17,705,000)
Return on plan assets (less)/greater than discount rate	(8,629,000)	18,953,000
Actuarial (loss)/gain recognised in other comprehensive income	(10,972,000)	1,248,000

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

20. Pension commitments (continued)

The pension expense recorded in the Income Statement is apportioned to the following lines based on the percentage of headcount: cost of sales 57% (30 December 2017: 57%) and administration expenses 43% (30 December 2017: 43%). The amount recognised in the Balance Sheet relating to the pension scheme was £nil (30 December 2017: £56,117,000).

The estimated employers' cash contribution for the 2018 financial period was £2,284,308 (30 December 2017: £14,771,000). Actual employers' cash contribution for the 2018 financial period was £2,532,000 (30 December 2017: £14,834,000).

The IARP pension charge to the Income Statement for the period was £82,000 (30 December 2017: £502,000). The obligation included in the Balance Sheet as at 29 December 2018 was £nil (30 December 2017: £1,969,000).

The amounts recognised in the Income Statement in relation to the deferred cash promise were £256,000 (30 December 2017: £1,747,000) of which £56,254 (30 December 2017: £1,547,000) were recharged to other group entities, as the individuals associated with these promises are on assignment. The amount recognised in the Balance Sheet relating to these promises was £nil (30 December 2017: £12,402,000). An intercompany debtor is held for any recharges not settled in the period.

Changes in the present value of the defined benefit obligation were as follows:

	29 December 2018 £	30 December 2017 restated £
Opening defined benefit obligation	317,296,000	292,576,000
Interest cost	1,218,000	7,489,000
Transfers in	11,006,000	-
Transfers out	(3,293,000)	-
Contributions by scheme participants	31,000	184,000
Remeasurement of the defined benefit obligation	(5,370,000)	17,705,000
Effect of employee service cost in the current period	1,100,000	7,039,000
Plan introductions, changes, curtailments and settlements	1,969,000	-
Benefits paid	(951,000)	(7,697,000)
Sale to Mars Wrigley Confectionery UK Limited	(323,006,000)	-
Closing defined benefit obligation	-	317,296,000

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

20. Pension commitments (continued)

Changes in the fair value of scheme assets were as follows.

	29 December 2018 £	30 December 2017 restated £
Opening fair value of scheme assets	246,808,000	215,575,000
Return on plan assets (less)/greater than discount rate	(8,629,000)	18,953,000
Benefits paid	(941,000)	(7,697,000)
Contributions by employer	2,532,000	14,834,000
Interest income on plan assets	914,000	5,691,000
Administrative expenses	(118,000)	(732,000)
Contributions paid by employee	31,000	184,000
Sale to Mars Wrigley Confectionery UK Limited	(240,597,000)	-
	<u>-</u>	<u>246,808,000</u>

The pension scheme amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was a loss of £3,169,000 (30 December 2017: gain of £1,262,000).

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The overall expected return on assets is a blended average of projected long-term returns for the various asset classes.

Scheme assets do not include any of The Wrigley Company Limited's own financial instruments, or any property occupied by The Wrigley Company Limited.

The investment funds are valued at the current bid price.

The IARP amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was a loss of £11,000 (30 December 2017: loss of £17,000).

The deferred cash promise amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was a loss of £78,000 (30 December 2017: gain of £3,000).

From 1 January 2018, a change in cost allocation method was introduced which resulted in an amendment of the allocation of the deferred cash promises. The impact of this was a net transfer in of £7,714,000 recognised in the Statement of Comprehensive Income.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

20. Pension commitments (continued)

The principal assumptions used in the actuarial valuation were:

	25 February 2018	30 December 2017
	%	%
Discount rate	2.50	2.40
Future salary increases	3.70	3.70
Future pension increases	3.00	3.00
Inflation - RPI	3.20	3.20
Inflation - CPI	2.20	2.20
Mortality rates		
Longevity at age 65 for current pensioners:		
Men	23.0	22.9
Women	25.1	25.0
Longevity at age 65 for future pensioners		
Men	24.7	24.7
Women	27.0	26.9

No allowance is made for the commutation of pensions to lump sums. The longevity for future pensioners reflects life expectancies for a future pensioner currently 50 years old, so that rates are not distorted by changes to the average age of the membership.

As a result of the event discussed in the Strategic Report, the pension assets and liabilities were transferred to Mars Wrigley Confectionery UK Limited on 25 February 2018.

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

21. Operating lease commitments

At 29 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	29 December 2018 £	30 December 2017 £
Not later than 1 year	-	1,470,000
	<u>-</u>	<u>1,470,000</u>

22. Called up share capital

	29 December 2018 £	30 December 2017 £
Allotted and fully paid		
11,250,000 (30 December 2017: 11,250,000) Ordinary shares of £0.00000008888 (30 December 2017: £1) each	<u>1</u>	<u>11,250,000</u>

On 25 February 2018 a capital reduction occurred, using a solvency statement pursuant to section 642 of the Companies Act 2016, on 11,249,999 ordinary shares of £1 each and the share premium of £96,000,000, resulting in the creation of £107,249,999 of distributable reserves.

23. Dividends

	29 December 2018 £	30 December 2017 £
Dividends of £62.2222222 per share (2017: £nil) paid during the period	<u>700,000,000</u>	<u>-</u>

The Wrigley Company Limited

**Notes to the Financial Statements
For the Period Ended 29 December 2018**

24. Related party transactions

The Company is a wholly-owned subsidiary of Wrigley Uno UK Limited and is included in the consolidated financial statements of Wrigley International Holding Company. Consequently, the Company has taken exemption from disclosing related party transactions under the terms of paragraph 1.12 of FRS 102.

In 2017, and up to the date of transfer to Mars Wrigley Confectionery UK Limited, the Company sublicensed rights to utilise and exploit Wrigley intellectual property to Mars Foods Ireland Limited. Under this arrangement, Mars Foods Ireland Limited performs sales, marketing and distribution activities as well as provides certain administrative services, and in exchange The Wrigley Company Limited receives a licensing fee.

25. Controlling party

The Company's ultimate parent undertaking and controlling party is Mars, Incorporated a company incorporated in the State of Delaware, USA. This is the largest group of undertakings to consolidate these financial statements as at 29 December 2018. These financial statements are not available to the public.

The Company's immediate parent undertaking is Wrigley Uno UK Limited, a company registered in England and Wales.

Wrigley International Holding Company is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. A copy of these financial statements will be submitted alongside these financial statements and may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Wrigley International Holding Company's registered office is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States.

WRIGLEY INTERNATIONAL HOLDING COMPANY

Consolidated Financial Statements

As of December 29, 2018 and December 30, 2017

Together with Report of Independent Auditors

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 210533



Report of Independent Auditors

To the Board of Directors of Wrigley International Holding Company:

We have audited the accompanying consolidated financial statements of Wrigley International Holding Company and its subsidiaries, which comprise the consolidated balance sheets as of December 29, 2018 and December 30, 2017, and the related consolidated statements of income, comprehensive income, changes in stockholders' investment and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wrigley International Holding Company and its subsidiaries as of December 29, 2018 and December 30, 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 13 to the consolidated financial statements, the Company has entered into significant transactions with Mars, Incorporated and its subsidiaries, a related party. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

August 23, 2019

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WRIGLEY INTERNATIONAL HOLDING COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 29, 2018 AND DECEMBER 30, 2017
USD in thousands

	<u>2018</u>	<u>2017</u>
Net sales	\$ 16,667,873	\$ 15,738,574
Cost of products sold	10,004,435	9,299,347
	<u>6,663,438</u>	<u>6,439,227</u>
Selling, general and administrative expense	4,183,319	4,107,577
Amortization of intangible assets	236,396	276,612
Impairment of intangible assets	—	7,629
Income from operations	<u>2,243,723</u>	<u>2,047,409</u>
Interest expense	16,446	12,464
Interest (income) expense (from) with Mars, net	(98,601)	112,618
Investment income, net	(39,186)	(7,015)
Foreign exchange loss (income), net	5,713	(72,807)
Gain on sale of business	(127,230)	—
Earnings from equity investment	(79,689)	(129,428)
Income before provision for income taxes	<u>2,566,270</u>	<u>2,131,577</u>
Provision for income taxes	786,950	817,357
Net income	<u>1,779,320</u>	<u>1,314,220</u>
Net income attributable to noncontrolling interests	3,770	802
Net income attributable to Wrigley International Holding Company	<u>\$ 1,775,550</u>	<u>\$ 1,313,418</u>

The accompanying notes are an integral part of these consolidated financial statements.

WRIGLEY INTERNATIONAL HOLDING COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 29, 2018 AND DECEMBER 30, 2017
USD in thousands

	<u>2018</u>	<u>2017</u>
Net income	\$ 1,779,320	\$ 1,314,220
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(1,052,264)	1,412,082
Net unrealized change on investments	(57,613)	67,699
Net change in pension and other postretirement benefits	195,540	(166,691)
Total comprehensive income	<u>864,983</u>	<u>2,627,310</u>
Comprehensive income attributable to noncontrolling interests	<u>3,659</u>	<u>802</u>
Comprehensive income attributable to Wrigley International Holding Company	<u>\$ 861,324</u>	<u>\$ 2,626,508</u>

The accompanying notes are an integral part of these consolidated financial statements.

WRIGLEY INTERNATIONAL HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 29, 2018 AND DECEMBER 30, 2017
USD in thousands

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,779,320	\$ 1,314,220
Adjustments to reconcile net income to net cash provided by operating activities, net of the impact of acquisitions and divestitures:		
Depreciation and amortization	670,665	729,441
Impairments of intangible assets	—	7,629
Foreign exchange loss (income)	5,713	(72,807)
Gain on sale of business	(127,230)	—
Earnings from equity investment	(79,689)	(129,428)
Amortization of deferred financing costs	—	448
Gain on investments	(14,583)	(10,166)
Deferred income taxes	30,040	(186,967)
Changes in current assets and liabilities:		
Changes in accounts receivable	(158,977)	(73,291)
Changes in inventories	(153,933)	(98,044)
Changes in accounts payable and accrued liabilities	417,092	295,683
Changes in accrued interest	—	(2,691)
Changes in income taxes receivable and payable	108,464	393,145
Changes in other current assets and liabilities	3,028	(9,364)
Changes in other noncurrent investments	230	3,984
Changes in other noncurrent associate benefit assets and liabilities	(333,428)	(96,081)
Changes in other noncurrent assets and liabilities	11,112	38,875
Net cash provided by operating activities	<u>2,157,824</u>	<u>2,104,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(668,361)	(622,727)
Purchases of investments	(8,305)	(105,037)
Sales of investments	130,766	59,422
Acquisition of business	—	(171,197)
Proceeds from sale of business	108,460	—
Other	9,309	10,054
Net cash used in investing activities	<u>(428,131)</u>	<u>(829,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	(725)	—
Dividends paid	(47,854)	(487,147)
Net transfers to Mars	(2,811,787)	(424,034)
Other short-term financing activities	98,293	4,531
Net cash used in financing activities	<u>(2,762,073)</u>	<u>(906,650)</u>
Effect of exchange rate changes on cash and cash equivalents	(19,321)	97,022
Net (decrease) increase in cash and cash equivalents	(1,051,701)	465,473
Cash and cash equivalents at beginning of year	<u>2,184,824</u>	<u>1,719,351</u>
Cash and cash equivalents at end of year	<u>\$ 1,133,123</u>	<u>\$ 2,184,824</u>

The accompanying notes are an integral part of these consolidated financial statements.

WRIGLEY INTERNATIONAL HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 29, 2018 AND DECEMBER 30, 2017
USD in thousands, except par value and shares

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,133,123	\$ 2,184,824
Investments	456,016	645,536
Due from Mars, net	8,743,355	6,010,306
Accounts receivable, net of allowances of \$21,773 and \$27,657	722,017	630,679
Inventories	1,251,479	1,202,772
Income taxes receivable	80,594	118,190
Prepaid expenses and other	205,424	212,372
Total current assets	<u>12,592,008</u>	<u>11,004,679</u>
Property, plant and equipment, net	3,287,643	3,362,706
Prepaid associate benefit assets	429,966	234,879
Goodwill	5,532,708	5,817,925
Intangible assets, net	579,621	859,377
Deferred income taxes	763,144	789,831
Other assets	756,153	765,476
TOTAL ASSETS	<u><u>\$ 23,941,243</u></u>	<u><u>\$ 22,834,873</u></u>
LIABILITIES		
Due to banks	\$ 106,237	\$ 9,913
Current installments on long-term debt	963	728
Current portion of accrued associate benefits	17,887	19,805
Accounts payable and accrued liabilities	4,494,286	4,390,481
Income taxes payable	144,767	149,218
Total current liabilities	<u>4,764,140</u>	<u>4,570,145</u>
Long-term debt, less current installments	3,946	4,933
Accrued associate benefits	2,217,016	2,519,951
Deferred income taxes	138,121	111,216
Other liabilities	492,710	492,428
TOTAL LIABILITIES	<u>7,615,933</u>	<u>7,698,673</u>
STOCKHOLDERS' INVESTMENT		
Common stock, par value \$0.01 per share; 106 shares authorized, issued and outstanding		
Additional paid-in capital	17,044,073	16,662,482
Retained earnings	5,617,544	3,899,426
Accumulated other comprehensive loss	(6,382,652)	(5,468,426)
TOTAL WRIGLEY INTERNATIONAL HOLDING COMPANY STOCKHOLDERS' INVESTMENT	<u>16,278,965</u>	<u>15,093,482</u>
Noncontrolling interests	46,345	42,718
TOTAL STOCKHOLDERS' INVESTMENT	<u>16,325,310</u>	<u>15,136,200</u>
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	<u><u>\$ 23,941,243</u></u>	<u><u>\$ 22,834,873</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

WRIGLEY INTERNATIONAL HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' INVESTMENT
FOR THE YEARS ENDED DECEMBER 29, 2018 AND DECEMBER 30, 2017
USD in thousands

	Additional paid-in capital	Members' investment	Retained earnings	Accumulated other comprehensive loss	Total Wrigley International Holding Company stockholders' investment	Non- controlling interests	Total stockholders' investment
Balance, December 31, 2016	\$	\$ 13,025,291	\$ 4,547,788	\$ (6,781,516)	\$ 10,791,563	\$ 5,116	\$ 10,796,679
Conversion from limited liability company to C corporation	13,025,291	(13,025,291)	—	—	—	—	—
Comprehensive income	—	—	1,313,418	1,313,090	2,626,508	802	2,627,310
Affiliate investment	3,637,191	—	—	—	3,637,191	—	3,637,191
Affiliate dividends, net	—	—	(1,961,780)	—	(1,961,780)	—	(1,961,780)
Noncontrolling interest of acquired entity	—	—	—	—	—	36,800	36,800
Balance, December 30, 2017	<u>\$ 16,662,482</u>	<u>—</u>	<u>\$ 3,899,426</u>	<u>\$ (5,468,426)</u>	<u>\$ 15,093,482</u>	<u>\$ 42,718</u>	<u>\$ 15,136,200</u>
Comprehensive income	—	—	1,775,550	(914,226)	861,324	3,659	864,983
Affiliate investment	381,591	—	—	—	381,591	—	381,591
Affiliate dividends, net	—	—	(57,432)	—	(57,432)	—	(57,432)
Payments to noncontrolling interests and other	—	—	—	—	—	(32)	(32)
Balance, December 29, 2018	<u>\$ 17,044,073</u>	<u>—</u>	<u>\$ 5,617,544</u>	<u>\$ (6,382,652)</u>	<u>\$ 16,278,965</u>	<u>\$ 46,345</u>	<u>\$ 16,325,310</u>

The accompanying notes are an integral part of these consolidated financial statements.

WRIGLEY INTERNATIONAL HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 29, 2018 AND DECEMBER 30, 2017
(USD in thousands, unless otherwise noted)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation, Organization and Reorganization

The consolidated financial statements include the accounts of Wrigley International Holding Company ("WIHC" and together, with its subsidiaries, the "Company"), a wholly owned subsidiary of Mars, Incorporated (together with its subsidiaries, "Mars" or with its subsidiaries excluding the Company, the "Parent"). WIHC was established as a Delaware limited liability corporation ("LLC") on October 9, 2009. In connection with a reorganization of Mars' legal entity structure, WIHC was converted from a LLC to a corporation on June 2, 2017. The Parent was the sole member prior to the conversion and became the sole stockholder after the conversion.

During the fiscal years ended December 29, 2018 and December 30, 2017, Mars contributed certain subsidiaries to the Company as part of a global reorganization. The contributions were transfers of entities under common control and all periods presented reflect the financial position, results of operations and cash flows of these entities as if they had been contributed to the Company as of October 9, 2009, the date WIHC was established. The consolidated financial statements do not give effect to contributions to the Company subsequent to December 29, 2018.

The consolidated financial statements include subsidiaries in which a controlling interest is maintained and variable interest entities ("VIEs") for which the Company is the primary beneficiary. For the consolidated subsidiaries in which the Company's ownership is less than 100 percent, the minority stockholders' interests are shown as noncontrolling interests ("NCI"). Investments in affiliates over which the Company has significant influence but not a controlling interest are carried on the equity basis. Investments in affiliates over which the Company does not have significant influence are accounted for by the cost method or as available-for-sale securities. All intercompany accounts and transactions are eliminated in consolidation.

The Company's fiscal year consists of 52 or 53 weeks. The fiscal years ended December 29, 2018 and December 30, 2017 are 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of sales, costs and expenses, assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

Recent Accounting Pronouncements

There are no standards effective in the current year that have a material impact on the consolidated financial statements. The Company is evaluating the impact on the consolidated financial statements for the following standards effective in future years:

In May 2014, the FASB issued a new accounting standard on revenue recognition. The standard requires an entity to recognize revenue for the transfer of goods or services to customers for an amount the entity expects to be entitled to receive in exchange for those goods or services. The standard is effective for the Company in its fiscal year-end annual 2019 consolidated financial statements. The new accounting standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB amended accounting standards requiring all equity investments to be measured at fair value with changes in fair value recognized through net income except for investments accounted for under the equity method of accounting or those investments that result in consolidation of the investee. The amendments allow cost method investments to be remeasured at fair value either upon occurrence of an observable price change or upon identification of an impairment. The standard is effective for the Company in its fiscal year-end annual 2019 consolidated financial statements.

In August 2016, the FASB issued a new cash flow classification standard intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for the Company in its fiscal year-end annual 2019 consolidated financial statements. The guidance requires application using a retroactive transition method.

In October 2016, the FASB issued a new standard related to the income tax consequences of intra-entity transfers of assets other than inventory intended to reduce diversity in practice and to appropriately present the economics of intra-entity asset transfers. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. However, the new standard states that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This standard is effective for the Company in fiscal year 2019 with early adoption permitted. Entities are required to apply the update on a modified retroactive basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption.

In November 2016, the FASB issued a new cash flow standard intended to reduce diversity in practice in how restricted cash has been classified and presented in the statement of cash flows. The new guidance requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for the Company in its fiscal year-end annual 2019 consolidated financial statements. The guidance should be applied using a retrospective transition method to each period presented with early adoption permitted.

In March 2017, the FASB issued guidance updating the presentation of net periodic pension and postretirement benefit costs. This update requires that the service cost component be disaggregated from the other components of net periodic benefit costs. In addition, the update requires that only service cost can be included as an associate cost within the operating section of the income statement and only the service cost component will be eligible for capitalization. The guidance will be applied retrospectively to 2018, with a prospective approach taken for capitalization of service costs and is effective for the Company in fiscal year-end annual 2019 consolidated financial statements.

In February 2018, the FASB issued updated guidance related to reporting comprehensive income. The amendments in the update allow for a one-time reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects as a result from the enactment of the Tax Cuts and Jobs Act of 2017. The update also requires additional disclosure related to income tax effects from accumulated other comprehensive income. The updated guidance is effective for all entities for fiscal years beginning after December 15, 2018. The updated guidance should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the 2017

Tax Act is recognized. The Company does not expect to elect the one-time reclassification, however, will adopt the additional disclosure requirements.

In February 2016, the FASB issued new accounting guidance which requires lessees to recognize virtually all of their leases on the balance sheet by recording right-of-use assets and lease liabilities. Under the new guidance, there will be a dual model for income statement recognition. Operating leases will result in straight-line expense recognition included in either cost of products sold or selling, general and administration expense. Finance leases will result in front-loaded expense recognition included in interest expense and straight-line depreciation expense included in either cost of products sold or selling, general and administration expense. The guidance requires entities to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. In July 2018, the FASB issued additional guidance that allows for an election to apply the transition requirements at the effective date rather than at the beginning of the earliest comparative period. Entities electing this transition option would recognize a cumulative-effect adjustment to retained earnings in the period of adoption and the comparative periods presented would continue to be in accordance with the current lease standard. The standard is effective for the Company in its fiscal year-end annual 2020 consolidated financial statements.

In August 2017, the FASB issued guidance improving financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities for all entities that apply hedge accounting. The update (i) more closely aligns the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements, (ii) expands hedge accounting for both nonfinancial and financial risk components, and (iii) refines the measurement of hedge results to better reflect an entity's hedging strategies. The amendment aligns the timing of recognition of hedge results with the earnings effect of the hedged item for cash flow and net investment hedges by including the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is presented. This guidance will be effective for the Company in fiscal year 2020.

In August 2018, the FASB issued guidance clarifying the treatment of costs incurred to implement cloud computing arrangements as a service. This update requires that certain implementation costs related to cloud computing arrangements as a service be capitalized using the criteria in existing internal-use software guidance. Capitalized costs are required to be presented as an asset and expensed over the term of the arrangement. Material capitalized costs are required to be disclosed in a manner consistent with the disclosure requirements of property, plant and equipment. The guidance can be applied retrospectively or prospectively and will be effective for the Company in fiscal year 2021, with early adoption permitted for any period.

In June 2016, the FASB issued a new credit loss standard that changes the impairment model for most financial assets and certain other instruments. Under the new guidance, entities are required to use a new forward-looking "expected loss" model which will result in earlier measurement of credit losses than under the current incurred loss model. In November 2018, the FASB issued an update extending the effective date of the standard for the Company to fiscal year 2022, with early adoption permitted as of fiscal year 2019.

Foreign Currency Translation

The Company uses the current rate method of translating foreign currency financial statements, except for countries deemed to be highly inflationary for which a combination of current and historical exchange rates are used and any translation adjustments are included in net income. Gains and losses on translation of equity interests in subsidiaries outside the United States of America ("U.S.") and

intercompany notes of a long-term investment nature are reported in accumulated other comprehensive loss, net of tax, within stockholders' investment on the Consolidated Balance Sheets.

Argentina's 3-year cumulative inflation rate exceeded 100% in 2018. As a result, in 2018, Argentina was considered highly inflationary in accordance with U.S. GAAP. Consequently, the Company transitioned its Argentine operations to highly inflationary status as of June 17, 2018. Accordingly, the functional currency for units in Argentina have changed to the currency of its immediate parent (Euro). This change in functional currency did not have a material impact on the Company's results of operations, financial condition or financial statement disclosures for the period ended December 29, 2018.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, interest and non-interest bearing bank deposits and securities with original maturities of three months or less.

Cash Flows

Cash payments for interest were \$14 million and \$13 million for the years ended December 29, 2018 and December 30, 2017, respectively. Net cash payments for income taxes were \$591 million and \$624 million for the years ended December 29, 2018 and December 30, 2017, respectively.

The Company engaged in significant non-cash financing activities mainly with related parties. These non-cash transactions are described in Note 13 "Related Parties".

Revenue Recognition

Revenue is recognized when the earnings process is complete. Generally, this occurs when products are shipped in accordance with terms of agreements, title and risk of loss transfer to customers, collection is probable, and pricing is fixed or determinable. The Company recognizes allowances for estimated returns, discounts, promotions, and incentives in the period when the sale is recognized. The allowances are estimated based on historical experience and other factors and are included in net sales in the Consolidated Statements of Income.

During the years ended December 29, 2018 and December 30, 2017, the Company did not have a customer that accounted for 10 percent or more of net sales.

Investments

Investments in debt and equity securities are generally classified as available-for-sale and are reported at fair value, with unrealized gains and losses excluded from income and included as a separate component of accumulated other comprehensive loss, net of tax. Realized gains and losses on the sales of these securities are computed based on the specific identification method and are included in income.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company considers factors affecting the issuer, factors affecting the industry the issuer operates within, and general debt and equity market trends. The Company considers the length of time an investment's fair value has been below carrying value, the severity of the decline, the near term prospects for recovery to cost, and the Company's intent and ability to hold the investment until maturity or market recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other-than-temporary, the related investment is written down to its estimated fair value through a charge to earnings.

Accounts Receivable

Trade accounts receivable are recorded at net realizable value. This value includes an allowance for estimated uncollectible accounts to reflect any loss anticipated on the trade accounts receivable balances. The allowance for doubtful accounts represents the Company's estimate of the amount of probable credit losses in existing accounts receivable, as determined from a review of past due balances and other relevant information.

Inventories

Inventories are stated at the lower of cost or market. The Company uses the first-in, first-out method in determining the majority of its inventory costs.

Inventories consist of the following as of December 29, 2018 and December 30, 2017:

	2018	2017
Finished goods	\$ 918,964	\$ 868,758
Raw materials	332,515	334,014
	<u>\$ 1,251,479</u>	<u>\$ 1,202,772</u>

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Routine repair and maintenance costs are expensed as incurred. Depreciation expense during the years ended December 29, 2018 and December 30, 2017 was \$422 million and \$438 million, respectively.

Depreciation is generally provided on the straight-line method over the estimated useful lives of the related assets for financial reporting purposes. The estimated useful lives of depreciable property, plant and equipment generally are as follows:

Category	Years
Buildings	20
Building improvements and fixtures	12
Machinery and equipment	10
Office equipment	6
Computer equipment	3

Impairment Evaluation of Long-Lived Assets

The Company reviews property, plant and equipment and finite-lived intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. This evaluation includes comparing future undiscounted cash flows relating to the assets, or the appropriate grouping of assets, over the remaining life of such assets to the net book value of those assets. If the projected cash flows are less than the net book value, an impairment loss is measured based on the excess of the net book value over the estimated fair value of the asset.

Intangible Assets

The Company reviews intangible assets with indefinite lives for impairment annually during the fourth quarter and whenever events or changes in circumstances occur which would indicate the carrying

value of its assets may not be fully recoverable to determine if the current value of intangible assets is impaired. The Company is given the option to make a qualitative evaluation of intangible asset impairment to determine whether it is necessary to calculate the fair value of the intangible assets. The Company makes its qualitative evaluation of its intangible assets by considering, among other things, the overall macroeconomic conditions, industry and market considerations, overall financial performance and other relevant reporting unit specific events. If the Company determines, based on the qualitative evaluation that it is more likely than not that the fair value is less than its carrying amount, the Company would then perform a quantitative analysis. However, if the Company concludes otherwise, the intangible asset is not considered impaired. The Company performs the quantitative analysis by comparing the fair value of the intangible asset to its carrying value. If the intangible asset's fair value exceeds its carrying value, it is not impaired. If the intangible asset's carrying value exceeds its fair value, an impairment loss is recognized to reduce the intangible asset to its fair value.

For finite-lived intangible assets, amortization is generally provided on the straight-line method over the estimated useful lives of the related assets for financial reporting purposes. The estimated useful lives of finite-lived intangible assets are as follows:

Category	Years		
Trademarks	14	to	40
Customer relationships	10	to	15
Patents	8	to	11
Other intangibles (e.g., agreements)	2	to	10

Goodwill

The Company assesses its goodwill for impairment annually during the fourth quarter and whenever events or changes in circumstances occur indicating the carrying value of its net assets may not be fully recoverable. The Company is given the option to make a qualitative evaluation of goodwill impairment to determine whether it is necessary to calculate the fair value of its reporting units. The Company makes its qualitative evaluation of its goodwill by considering, among other things, the overall macroeconomic conditions, industry and market considerations, overall financial performance and other relevant reporting unit specific events. Based on the qualitative evaluation, if the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company would then perform the two-step impairment test. However, if the Company concludes otherwise, goodwill is not considered impaired.

The first step of the two-step impairment test compares the fair value of each reporting unit with its carrying value. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets assigned to that reporting unit exceeds the fair value of the reporting unit, the Company must perform the second step of the impairment test to determine the implied fair value of the reporting unit's goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss is recorded to write down the goodwill to its implied fair value. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. These estimates and assumptions include projected revenue growth rates, operating margins, discount rates, capital expenditures and related depreciation to calculate estimated cash flows. In addition, certain judgments and assumptions are made in allocating shared assets and liabilities to determine the carrying values of reporting units.

Pension Benefit Costs

The Company recognizes gains and losses resulting from the settlement of pension obligations in certain defined benefit pension plans as they occur. In addition, when a lump sum payment is made for certain defined benefit pension plans, all deferred gains and losses are immediately recognized.

In a fiscal year end that does not coincide with a month-end, the Company measures the assets and obligations of the defined benefit plan using the month-end that is closest to the Company's fiscal year end.

Software Costs

The Company capitalizes certain costs incurred in the development of internal-use software. Such costs include external direct costs of materials and licenses, payroll and payroll-related costs for associates directly involved in the development of internal-use software, and related interest costs. These capitalized costs are included in other assets on the Consolidated Balance Sheets and are amortized over useful lives of 3 to 5 years on a straight-line basis. Amortization of capitalized software costs is included in selling, general and administrative expense in the Consolidated Statements of Income.

As of December 29, 2018 and December 30, 2017, other assets included capitalized software costs as follows:

	2018	2017
Capitalized software	\$ 180,861	\$ 143,327
Less: accumulated amortization	(107,853)	(100,858)
	<u>\$ 73,008</u>	<u>\$ 42,469</u>

Amortization expense associated with capitalized software during the years ended December 29, 2018 and December 30, 2017 was \$14 million and \$12 million, respectively.

Advertising Costs

Advertising costs are expensed in the period incurred. Advertising costs of \$612 million and \$628 million for the years ended December 29, 2018 and December 30, 2017, respectively, were included in selling, general and administrative expense.

Research and Development

Research and development costs are expensed as incurred and include the costs to design, develop, test, deploy, and enhance the Company's products. Research and development costs of \$202 million and \$246 million for the years ended December 29, 2018 and December 30, 2017, respectively, were included in selling, general and administrative expense.

Distribution Costs

Distribution costs, including shipping and handling costs, are classified as cost of products sold.

Derivatives

All derivative financial instruments are reported on the Consolidated Balance Sheets at fair value. Changes in fair value are recognized either in net income or other comprehensive income, depending

on whether the derivative is designated as a hedge, the nature of the underlying exposure being hedged, and how effective the derivative is at offsetting price movements in the underlying exposure. Derivatives are used solely for risk management purposes and are either designated as hedges or used as economic hedges. See Note 8, Financial instruments, for additional information.

The Company's operations give rise to exposure to market risks. Generally, derivative financial instruments are utilized to reduce those risks. The Company enters into forward exchange contracts and options for the purchase and sale of foreign currencies as part of the management of its foreign currency exposures. These exposures arise primarily from anticipated purchases of certain raw materials, sales of the Company's products in foreign currencies, debt and interest payments, investments in foreign subsidiaries and intercompany financing activities.

The Company, in the normal course of production, uses large quantities of cocoa, sugar, grains and other commodities. Prices for these commodities fluctuate due to changes in the supply and demand for the commodities and changes in the rates of exchange for the currencies in which they are traded. To hedge price risk associated with its anticipated purchases of these commodities, the Company buys and sells futures contracts for the commodities and forward contracts and options for the related currencies.

Fair values of derivative assets and liabilities not traded either on exchanges or liquid, over-the-counter markets are determined by quantitative models primarily based on market observable inputs, including market interest rate curves and referenced credit spreads. Most market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The Company considers the need to adjust the fair values of derivative assets and liabilities for counterparty credit quality and non-performance risk.

Income Taxes

The Company has elected to account for income taxes at the entity level for single member LLCs. As such, while WIHC was converted from a LLC to a corporation in 2017, such conversion has no impact on the income tax accounting within the separate company financial statements.

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns, and are determined annually based on the difference between financial statement and tax bases of assets and liabilities using enacted tax laws and rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The Company provides U.S. federal income taxes for earnings and certain other estimated future cash amounts of non-U.S. subsidiaries that are expected to be remitted in the foreseeable future.

The Company has not recorded deferred taxes related to the portion of its ownership in foreign subsidiaries which it considers permanently reinvested. The amount of this unrecognized U.S. deferred tax liability is not material. Global intangible low-taxed income ("GILTI") provisions in the U.S. tax code impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The Company has elected to treat any potential GILTI inclusions as a period cost.

Fair Value

Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the most persuasive source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three levels, in order of reliability, as described below:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2: Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; quoted prices for similar assets or liabilities; and model-derived valuations whose inputs are observable or whose significant value drivers are observable;

Level 3: Significant inputs to the valuation model are unobservable.

Significant transfers between levels are recognized at the end of the reporting period. The carrying amounts of short-term financial instruments, including cash and cash equivalents, receivables, and certain other liabilities are reasonable estimates of fair value due to the short-term nature of these instruments.

Loans due from and payable to related parties

The Company has various notes payable to and receivable from related parties under common control with its Parent. The Parent generally has the unilateral ability to modify its global intercompany capital structure, which includes modifying intercompany note agreements to accelerate payment. As the Company's related party notes may be modified at the Parent's discretion, these positions are presented on a net basis and classified as current in the Consolidated Balance Sheets unless otherwise disclosed.

(2) ACQUISITIONS AND DIVESTITURES

Preferred Brands International Inc.

On November 2, 2017, the Company purchased 100% of Preferred Brands International Inc. Preferred Brands International Inc. and its consolidated subsidiaries ("PBI") operate as a fully integrated manufacturer and marketer of all-natural, ready-to-heat Indian and Asian food products sold primarily under the Tasty Bite brand. PBI's portfolio includes a wide range of vegetarian offerings, including Indian and Asian entrees, spice and simmer meal kits, and organic rice and lentils. While the majority of sales are generated in the U.S. and Canada, PBI also manufactures products that are sold through retailers in the U.K. and Australia and to food service providers in India. PBI owns 74.2% of Tasty Bite Eatables Limited India ("TBEL"). TBEL manufactures all PBI products and has third party sales in Asia.

The Company acquired PBI for \$171 million in cash (net of cash acquired of \$3 million). The Company incurred acquisition-related costs during 2017 of \$6 million which were included in selling, general and administrative expenses in the 2017 Consolidated Statements of Income. Additionally, the

Parent incurred acquisition-related costs of \$1 million and \$6 million for the years ended December 29, 2018 and December 30, 2017, respectively, on behalf of the Company.

The earnings of PBI have been included in the consolidated financial statements of the Company beginning November 2, 2017. The excess of the purchase price over the fair value of the tangible net assets and identifiable intangible assets acquired was recognized as goodwill and is attributable to the growth that the Company expects to realize from this acquisition. Goodwill generated from the acquisition is not deductible for tax purposes.

As of the acquisition date, the purchase price assigned to the acquired assets and assumed liabilities is summarized as follows:

Cash acquired	\$ 2,864
Other current and non-current assets	39,376
Property, plant, and equipment	18,139
Intangible assets:	
Trademarks finite-lived	16,000
Customer relationships	101,500
Other intangible assets	700
Goodwill	104,012
Total assets acquired	282,591
Total current liabilities assumed	(18,944)
Total long-term liabilities assumed	(52,786)
Net assets acquired	210,861
Noncontrolling interests	(36,800)
Company acquired interests	\$ 174,061

In 2018, the Company finalized the purchase price allocation of PBI. The primary change from the preliminary purchase price allocation was to reduce finite lived intangible assets by \$19 million, reduce deferred tax liabilities by \$7 million, increase property, plant, and equipment by \$6 million, and increase goodwill by \$7 million. The cumulative impact of the changes in the purchase price allocation was recorded through the 2018 Consolidated Statement of Income.

The estimated useful lives of the identifiable finite-lived intangible assets from the acquisition include the following: trademarks, 14 years; customer relationships, 13 to 14 years; other intangible assets, 3 years.

Divestitures

On December 27, 2018, the Company sold its drinks business, and the buyer paid \$108 million, net of \$35 million cash sold, as the final sales price. The Company realized a gain of \$127 million from the sale of the business.

(3) INVESTMENT IN MARS RUSSIA

The Company has a 37.2% ownership interest in Mars Limited Liability Company ("Mars Russia"), a Russian domiciled entity in which the Parent holds a controlling interest. The investment in Mars Russia is classified as an equity method investment as the Company has significant influence over Mars Russia. The investment of \$648 million and \$614 million as of December 29, 2018 and December 30, 2017, respectively, is recorded in other assets in the Consolidated Balance Sheet.

(4) INVESTMENTS

The investments included on the Consolidated Balance Sheets were as follows:

	Location on the Consolidated Balance Sheet	2018	2017
Available-for-sale securities	Investments	\$ 456,016	\$ 645,536
Available-for-sale securities	Other assets	17,421	17,979
Total available-for-sale securities		473,437	663,515
Other long-term investments	Other assets	11,298	13,851
Total investments		<u>\$ 484,735</u>	<u>\$ 677,366</u>

Gross realized gains and losses on the sales of investments were \$14 million and \$1 million, respectively, for the year ended December 29, 2018 and \$9 million and \$0 million, respectively, for the year ended December 30, 2017, and have been included in investment income, net in the Consolidated Statements of Income.

As of December 29, 2018, the Company's investments in available-for-sale debt and equity securities were as follows:

	Cost basis	Unrealized gain	Unrealized loss	Recorded basis
Equity	\$ 329,986	\$ 104,614	\$ (271)	\$ 434,329
Corporate debt	34,382	350	—	34,732
Other	4,376	—	—	4,376
	<u>\$ 368,744</u>	<u>\$ 104,964</u>	<u>\$ (271)</u>	<u>\$ 473,437</u>

As of December 29, 2018, there were no investments with continuous unrealized losses for 12 months or greater. The investments with continuous unrealized losses for less than 12 months and their related fair values were as follows:

	Fair value	Unrealized loss
Equity	\$ 6,561	\$ 271

As of December 29, 2018, the Company's investments in available-for-sale debt securities totaling \$35 million mature between 5 and 10 years.

As of December 30, 2017, the Company's investments in available-for-sale debt and equity securities were as follows:

	Cost basis	Unrealized gain	Unrealized loss	Recorded basis
Equity	\$ 389,039	\$ 162,082	\$ —	\$ 551,121
Corporate debt	88,571	1,239	—	89,810
Other	23,407	—	(823)	22,584
	<u>\$ 501,017</u>	<u>\$ 163,321</u>	<u>\$ (823)</u>	<u>\$ 663,515</u>

As of December 30, 2017, there were no investments with continuous unrealized losses for 12 months or greater. The investments with continuous unrealized losses for less than 12 months and their related fair values were as follows:

	Fair value	Unrealized loss
Other	\$ 18,101	\$ 823

Investments measured at fair value on a recurring basis were categorized as follows at December 29, 2018:

	Level 1	Level 2	Level 3	Total
Equity	\$ 100,592	\$ 333,737	\$ —	\$ 434,329
Corporate debt	—	34,732	—	34,732
Other	—	4,376	—	4,376
	<u>\$ 100,592</u>	<u>\$ 372,845</u>	<u>\$ —</u>	<u>\$ 473,437</u>

Investments measured at fair value on a recurring basis were categorized as follows at December 30, 2017:

	Level 1	Level 2	Level 3	Total
Equity	\$ 105,187	\$ 445,934	\$ —	\$ 551,121
Corporate debt	—	89,810	—	89,810
Other	—	22,584	—	22,584
	<u>\$ 105,187</u>	<u>\$ 558,328</u>	<u>\$ —</u>	<u>\$ 663,515</u>

(5) PENSION AND OTHER POSTRETIREMENT PLANS

The Company sponsors various pension plans, all of which are located outside of the United States. The benefit obligations and related assumptions, plan assets, and funded status of the Company's pension and other postretirement benefit plans as of December 29, 2018 were as follows:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 11,236,604	\$ 14,283
Fair value of plan assets	9,450,306	—
Funded status	<u>\$ (1,786,298)</u>	<u>\$ (14,283)</u>
Accumulated benefit obligation	<u>\$ 10,573,406</u>	<u>N/A</u>

The benefit obligations and related assumptions, plan assets, and funded status of the Company's pension and other postretirement benefit plans as of December 30, 2017 were as follows:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 12,455,287	\$ 16,179
Fair value of plan assets	10,169,873	---
Funded status	<u>\$ (2,285,414)</u>	<u>\$ (16,179)</u>
Accumulated benefit obligation	<u>\$ 11,519,629</u>	<u>N/A</u>

Pension and other postretirement benefit plans with obligations in excess of plan assets as of December 29, 2018 consist of the following:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 3,847,768	\$ 14,283
Fair value of plan assets	1,631,504	N/A

Pension and other postretirement benefit plans with obligations in excess of plan assets as of December 30, 2017 consist of the following:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 4,553,665	\$ 16,179
Fair value of plan assets	2,033,372	N/A

Pension and other postretirement benefit plans with accumulated benefit obligations in excess of plan assets as of December 29, 2018 consist of the following:

	Pension plans	Other postretirement benefit plans
Accumulated benefit obligation	\$ 3,289,964	N/A
Fair value of plan assets	1,463,336	N/A

Weighted-average assumptions to determine benefit obligations:

Discount rate	2.47%	3.63%
Rate of increase in future compensation levels	3.52%	N/A

Pension and other postretirement benefit plans with accumulated benefit obligations in excess of plan assets as of December 30, 2017 consist of the following:

	Pension plans	Other postretirement benefit plans
Accumulated benefit obligation	\$ 3,781,235	N/A
Fair value of plan assets	1,804,674	N/A

Weighted-average assumptions to determine benefit obligations:

Discount rate	2.36%	3.62%
Rate of increase in future compensation levels	3.55%	N/A

Net periodic benefit cost (income), and related assumptions, contributions and benefits paid for the year ended December 29, 2018 were as follows:

	Pension plans	Other postretirement benefit plans
Net periodic benefit cost	\$ 66,500	\$ (1,231)
Employer contribution	373,998	1,017
Participant contributions	528	—
Benefits paid	373,391	1,017

Weighted-average assumptions to determine net periodic benefit cost:

Discount rate	2.36%	3.62%
Expected long-term rate of return on plan assets	7.31%	N/A
Rate of increase in future compensation levels	3.55%	N/A

Net periodic benefit cost (income), and related assumptions, contributions and benefits paid for the year ended December 30, 2017 were as follows:

	Pension plans	Other postretirement benefit plans
Net periodic benefit cost	\$ 139,024	\$ (1,336)
Employer contribution	224,018	923
Participant contributions	486	—
Benefits paid	338,842	923

Weighted-average assumptions to determine net periodic benefit cost:

Discount rate	2.44%	3.75%
Expected long-term rate of return on plan assets	7.38%	N/A
Rate of increase in future compensation levels	3.61%	N/A

During the years ended December 29, 2018 and December 30, 2017, the Company's net periodic benefit costs included losses of \$2 million and \$1 million, respectively, related to the settlement and curtailment of certain pension plan obligations.

For measurement purposes related to the other postretirement benefit plans, a 5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for the claims of all retirees in the years ended December 29, 2018 and December 30, 2017. The healthcare cost trend rates are projected to remain constant at 5% in 2019 and is reflective of the ultimate trend rate.

Amounts recognized on the Consolidated Balance Sheet as of December 29, 2018 consisted of:

	Pension plans	Other postretirement benefit plans
Prepaid associate benefit assets	\$ 429,966	\$ —
Current portion of accrued associate benefits	18,269	937
Accrued associate benefits, noncurrent	2,197,995	13,346
Accumulated other comprehensive loss:		
Net loss	\$ (3,596,447)	\$ (2,170)
Net prior service (cost) credit	(54,112)	3,344
Deferred income tax	975,340	(217)
Accumulated other comprehensive (loss) income, net of tax	<u>\$ (2,675,219)</u>	<u>\$ 957</u>

Amounts recognized on the Consolidated Balance Sheet as of December 30, 2017 consisted of:

	Pension plans	Other postretirement benefit plans
Prepaid associate benefit assets	\$ 234,879	\$ —
Current portion of accrued associate benefits	17,823	992
Accrued associate benefits, noncurrent	2,502,470	15,187
Accumulated other comprehensive loss:		
Net loss	\$ (3,868,930)	\$ (2,892)
Net prior service (cost) credit	(12,583)	5,385
Deferred income tax	1,009,274	(56)
Accumulated other comprehensive (loss) income, net of tax	<u>\$ (2,872,239)</u>	<u>\$ 2,437</u>

Amounts recognized in other comprehensive income for the year ended December 29, 2018 consisted of:

	Pension plans	Other postretirement benefit plans
Reclassification to net income:		
Amortization of net loss	\$ 270,821	\$ 35
Amortization of prior service cost (credit)	4,461	(1,807)
Other movements during the year:		
Net gain	\$ 1,662	\$ 687
Net prior service cost	(45,990)	(234)
Other comprehensive income (loss), gross	230,954	(1,319)
Deferred income tax	(33,934)	(161)
Other comprehensive income (loss), net of tax	<u>\$ 197,020</u>	<u>\$ (1,480)</u>

Amounts recognized in other comprehensive income for the year ended December 30, 2017 consisted of:

	Pension plans	Other postretirement benefit plans
Reclassification to net income:		
Amortization of net loss (gain)	\$ 291,718	\$ (132)
Amortization of prior service cost (credit)	3,083	(1,742)
Other movements during the year:		
Net loss	\$ (511,673)	\$ (234)
Net prior service (cost) credit	(3,065)	555
Other comprehensive (loss) income, gross	(219,937)	(1,553)
Deferred income tax	54,780	19
Other comprehensive (loss) income, net of tax	<u>\$ (165,157)</u>	<u>\$ (1,534)</u>

The estimated net loss and prior service cost that are expected to be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2019 are \$197 million and \$6 million, respectively. The estimated net loss and prior service credit for other postretirement benefit plans that are expected to be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2019 are \$0 million and \$2 million, respectively.

Plan Assets

The Company's expected long-term rate of return on plan assets is determined by the respective plans' current asset allocation and estimated future long-term returns by asset class. Projections of overall expected long-term rate of return on assets assumptions are formulated through a comprehensive process incorporating economic and financial market theory, financial market history, and investment judgment. Assumptions are predicated on, and consistent with, theory and are tested against history for reasonableness.

The risk inherent in each asset class is considered to determine an appropriate return expectation for each asset class. The higher the risk, the higher the risk premium required relative to risk-free assets. The investment return expectation for the portfolio is determined by weighting the expected returns for each asset class by the percentage representation of that asset class within the portfolio and summing the results.

Plan assets for the most significant postretirement benefits have similar investment policies. The Company's pension plans employ a long-term strategy driven by the expectation that equity ownership will outperform debt securities over the long-term and by the principle that a higher funded status warrants a closer match between assets and liabilities. Accordingly, the current target allocation for plan assets is generally 45% - 55% in equity ownership, including publicly traded stock, real estate, and private equity, 40% - 50% in public and private debt securities, and 5% - 15% in hedge funds. For a number of plans this will change in favor of public debt securities once their funded status and/or the level of real interest rates have increased. Currently, most investments are implemented through actively managed strategies as opposed to passive index tracking approaches.

Investment risk is mitigated by maintaining appropriate diversification of investment assets and by restricting deviation from investment policy of predetermined risk control ranges. The plans are permitted to use derivative instruments for investment purposes for hedging underlying asset exposure and for rebalancing the asset allocation.

Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total retirement plan assets.

Pension plan assets measured at fair value as of December 29, 2018 were as follows:

Assets at fair value included in the fair value hierarchy

	Level 1	Level 2	Level 3 (g)	Total
Equity securities (a)	\$ 866,739	\$ --	\$ --	\$ 866,739
Government debt securities (b)	45,730	961,856	--	1,007,586
Corporate debt securities (b)	127,788	1,441,117	208	1,569,113
Real estate (c)	48,197	--	--	48,197
Hedge funds (d)	30,700	--	--	30,700
Private equity (e)	37,630	--	--	37,630
Cash and cash equivalents	308,146	--	--	308,146
Other (f)	45,524	84,333	--	129,857
	<u>\$ 1,510,454</u>	<u>\$ 2,487,306</u>	<u>\$ 208</u>	<u>\$ 3,997,968</u>

Investments measured at NAV as a practical expedient for fair value

Equity securities (a)	\$ 1,861,518
Government debt securities (b)	417,841
Corporate debt securities (b)	259,211
Real estate (c)	491,114
Hedge funds (d)	1,452,397
Private equity (e)	969,739
Cash and cash equivalents	518
Investments measured at NAV	<u>5,452,338</u>
Contributions made after measurement date	--
Pension plan assets at fair value as of December 29, 2018	<u>\$ 9,450,306</u>

Pension plan assets measured at fair value as of December 30, 2017 were as follows:

Assets at fair value included in the fair value hierarchy

	Level 1	Level 2	Level 3 (g)	Total
Equity securities (a)	\$ 1,179,017	\$ —	\$ —	\$ 1,179,017
Government debt securities (b)	107,179	948,038	—	1,055,217
Corporate debt securities (b)	180,703	1,353,429	—	1,534,132
Real estate (c)	56,964	—	—	56,964
Hedge funds (d)	23,863	—	—	23,863
Private equity (e)	34,674	—	—	34,674
Cash and cash equivalents	486,629	—	—	486,629
Other (f)	32,469	56,157	12	88,638
	<u>\$ 2,101,498</u>	<u>\$ 2,357,624</u>	<u>\$ 12</u>	<u>\$ 4,459,134</u>

Investments measured at NAV as a practical expedient for fair value

Equity securities (a)	\$ 2,124,045
Government debt securities (b)	407,717
Corporate debt securities (b)	272,912
Real estate (c)	602,950
Hedge funds (d)	1,388,302
Private equity (e)	914,813
Investments measured at NAV	<u>5,710,739</u>

Contributions made after measurement date

Non-U.S. pension plan assets at fair value as of December 30, 2017	<u>\$ 10,169,873</u>
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- (a) For investments measured at fair value, this asset category is principally actively managed and consists of large cap and small cap equities. For investments valued using NAV per share as a practical expedient, this asset category class is principally comprised of commingled funds. Risk is comprised of both equity market risk and risk associated with active manager decisions.
- (b) For investments measured at fair value, this asset category is principally comprised of publicly traded sovereign debt, corporate credit, asset-backed securities and mortgage-backed securities. Most exposures are actively managed. Sovereign (government) debt is concentrated in both the developed and emerging markets. Sovereign debt exposure, from time to time, may be held in derivative form. Corporate credit is concentrated in investment-grade securities, with some exposure to high yield categories. Asset-backed and mortgage-backed securities are principally standard investment grade securities. A number of European Plans also hold small allocations to non-publicly traded credit instruments. For investments valued using NAV per share as a practical expedient, this asset category is principally comprised of fixed income securities and commingled funds.
- (c) For investments measured at fair value, this asset category is principally comprised of global property securities with quoted market prices. For investments valued using NAV per share as a practical expedient, this asset category consists predominantly of directly held, income producing, properties in the U.K. The U.K. properties, which have been invested on behalf of the U.K. and Dutch Plans, are managed with a value orientation and a focus on cash generation. The U.K. properties are currently concentrated within the retail sectors. The directly held properties for the U.K. and Dutch Plans are valued through independent third party appraisals.
- (d) For investments measured at fair value, this asset category is principally comprised of pooled funds with quoted market prices. For investments valued using NAV per share as a practical expedient, this asset category is comprised of broadly diversified strategies such as hedge funds and multi-asset strategy funds combined in portfolios structured to, under most circumstances, deliver low NAV volatility while delivering returns in line with fund objectives. Hedge fund NAVs are determined by the fund managers

and are not publicly available while multi-asset strategy fund NAVs are often publicly available. NAVs are generally determined, depending on the underlying portfolio positions, through a combination of quoted market prices, market comparable data and model driven approaches.

- (e) For investments measured at fair value, this asset category is principally comprised of pooled funds with quoted market prices. For investments valued using NAV per share as a practical expedient, this asset category consists of investments in limited partnerships with holdings in leveraged buy-outs ("LBOs"), venture capital and co-investments. LBOs comprise the majority of investments at approximately 60% of holdings with the remainder split evenly between venture capital and co-investments. While the portfolio of limited partnership investments is globally diversified, it is also primarily US-based. Partnership valuations are determined by the limited partnerships' general partners based on the valuation of underlying investments and are determined taking the following inputs into consideration: cost, discounted cash flows, and market-based comparable data.
- (f) For investments measured at fair value, this asset category is comprised primarily of derivative financial instruments, principally futures contracts, for risk management purposes, interest rate swaps for interest rate hedging purposes, and forward currency contracts. Forward and futures contracts are carried at fair value based on closing exchange quotations. Interest rate swaps are carried at their market-to-market value. For investments valued using the NAV per share practical expedient, this asset category is comprised primarily of commingled funds that focus on distressed credits and equities, recapitalization opportunities, and dislocations arising from specific events and forced-selling situations.
- (g) The activity for the Level 3 assets is not significant for all years presented.

Cash Flows

Contributions by the Company to its funded pension plans and other postretirement benefit plans for the next fiscal year are expected to be \$91 million and \$0 million, respectively; however, actual contributions may be affected by pension asset and liability valuations during the year.

Defined benefit pension and other postretirement benefit plan payments expected in future years are as follows:

	Pension plans	Other postretirement benefit plans
2019	\$ 353,332	\$ 951
2020	354,397	949
2021	367,246	953
2022	380,022	948
2023	395,378	936
2024-2028	2,094,084	3,799

Defined Contribution Plans

The Company's contributions to defined contribution retirement plans are based on the compensation of covered associates. The Company's contributions, all of which were charged to expense, were \$46 million and \$49 million for the years ended December 29, 2018 and December 30, 2017, respectively.

(6) DEBT AND BORROWING ARRANGEMENTS

The long-term debt outstanding as of December 29, 2018 and December 30, 2017 was \$5 million and \$6 million, respectively.

Debt Maturities and Capitalized Interest

As of December 29, 2018, the Company's long term debt maturities during the next five years are as follows:

2019	\$	963
2020		963
2021		963
2022		869
2023		838
Thereafter		313
Total long-term debt		4,909
Less: debt issuance costs		—
Total long-term debt	\$	4,909

For the years ended December 29, 2018 and December 30, 2017, the Company incurred interest expense of \$7 million and \$8 million, respectively, which was capitalized as a component of property, plant and equipment on the Consolidated Balance Sheets.

As of December 29, 2018 and December 30, 2017, the Company had short-term borrowings due to banks of \$106 million and \$10 million, respectively. The balances primarily consist of borrowings under a bank overdraft facility that permits gross overdraft borrowings of up to £120 million.

(7) INCOME TAXES

The Company's results are included in the Mars consolidated U.S. tax return. The U.S. federal and state provisions for income taxes are calculated using an allocation method consistent with the principles of ASC 740, Income Taxes. Specifically, total tax expense recorded in each period reflects an allocation of the Company's share of the current and deferred tax expense reported within the Mars financial statements.

Deferred income tax assets and liabilities arise primarily due to different methods for recording depreciation and amortization for tax and financial reporting purposes, the timing of the recognition of earnings of foreign subsidiaries, associate benefits and other accrued amounts. Valuation allowances are included in the accompanying Consolidated Balance Sheets with the related deferred tax assets. Deferred tax assets have been established for domestic and foreign net operating loss carryforwards and valuation allowances have been provided for those losses and credits that are not expected to be realized. Benefits of net operating loss carryforwards of \$87 million have various expiration dates through the year 2038, and \$34 million have no expiration dates.

As of December 29, 2018 and December 30, 2017, the components of deferred income tax assets and liabilities were as follows:

	2018	2017
Deferred tax assets	\$ 843,690	\$ 903,339
Valuation allowance	80,546	113,508
Net deferred tax assets	763,144	789,831
Deferred tax liabilities	138,121	111,216
Deferred tax assets, net	<u>\$ 625,023</u>	<u>\$ 678,615</u>

As of December 29, 2018 and December 30, 2017, the components of the provision for income taxes were as follows:

	2018	2017
Current tax provision	\$ 756,910	\$1,004,324
Deferred tax provision	30,040	(186,967)
Total tax provision	<u>\$ 786,950</u>	<u>\$ 817,357</u>

The effective tax rates are 30.7% and 38.3% for 2018 and 2017, respectively. In general, the effective tax rate varies from the U.S. statutory tax rate primarily due to the completion of accounting for U.S. tax reform and differences related to the taxation of foreign operations.

Reserves for uncertain tax positions have been classified as other non-current liabilities in the Consolidated Balance Sheet unless expected to be paid within one year. The net interest expense and penalties of \$7 million and \$10 million have been included in the Consolidated Statement of Income for the years ended December 29, 2018 and December 30, 2017, respectively. Penalties related to uncertain tax positions are recognized as a component of the provision for income taxes and interest is recognized as a component of interest expense. Total accrued interest and penalties of \$96 million and \$91 million have been included in non-current other liabilities in the Consolidated Balance Sheets as of December 29, 2018 and December 30, 2017, respectively.

The Company is potentially subject to income tax audits in numerous jurisdictions in the U.S. and internationally until the applicable statutes of limitations expire. Tax audits by their nature are often complex and can require several years to complete. Years still open to examination by tax authorities in major jurisdictions include China (2006 onward), Canada (2013 onward), Mexico (2009 onward), U.K. (2016 onward), and the US (2014 onward).

On December 22, 2017, the U.S. Congress enacted the Tax Cuts and Jobs Act of 2017 ("Act"), which significantly revised the U.S. tax code. Significant impacts of the Act included a reduction of the U.S. corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017 and a one-time transition tax on undistributed earnings and profits of foreign subsidiaries. As of December 30, 2017 the company had not completed the accounting for the effects of the Act. In accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), the Company made reasonable estimates related to: (1) the tax effect of the tax rate change which ASC 740 required to be recognized in the period in which the law was enacted; (2) the tax owed on the one-time transition tax; (3) the re-measurement of deferred taxes recorded or disclosed as permanently reinvested for outside basis differences related to unremitted foreign earnings; and (4) the tax effects related to the realizability of future foreign tax credits.

The material components of the provisional amounts recognized as part of the Act in 2017 were as follows:

	2017
Re-measurement of U.S. deferred tax balances	\$ 18,092
One-time transition tax	304,710
Total tax provision	<u>\$ 322,802</u>

SAB 118 allows for adjustments to provisional amounts during a measurement period of one year. In 2018, the Company completed its determination of the accounting implications of the Act, which included recording an additional \$85 million of tax expense related to the one-time transition tax. The total one-time transition tax is \$390 million.

(8) FINANCIAL INSTRUMENTS

The notional amounts of foreign exchange contracts and commodity contracts outstanding at December 29, 2018 were \$2,691 million and \$595 million, respectively. The notional amounts of foreign exchange contracts and commodity contracts outstanding at December 30, 2017 were \$3,013 million and \$422 million, respectively.

As of December 29, 2018, the following derivatives were recorded on the Consolidated Balance Sheet:

	Asset fair value	Liability fair value
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	\$ 16,938	\$ 1,900
Commodity contracts	6,171	493
	<u>\$ 23,109</u>	<u>\$ 2,393</u>

As of December 30, 2017, the following derivatives were recorded on the Consolidated Balance Sheet:

	Asset fair value	Liability fair value
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	\$ 11,823	\$ 7,992
Commodity contracts	89	—
	<u>\$ 11,912</u>	<u>\$ 7,992</u>

The fair value of current derivative assets included within prepaid expenses and other was \$17 million and \$12 million as of December 29, 2018 and December 30, 2017, respectively. The fair value of noncurrent derivative assets included within other assets was \$6 million and \$0 million as of December 29, 2018 and December 30, 2017, respectively. The fair value of current derivative liabilities included within accounts payable and accrued liabilities was \$2 million and \$8 million as of December 29, 2018 and December 30, 2017, respectively. The fair value of noncurrent derivative liabilities included within other liabilities was \$0 million as of December 29, 2018 and December 30, 2017.

Economic Hedges

The Company enters into certain currency and commodity derivatives that are not designated in hedge relationships, which economically hedge certain risks related to the anticipated purchases of raw materials, the sales of products in foreign currencies and investments in foreign operations. The related gains and losses are recognized immediately on the Consolidated Statements of Income.

The effect of economic hedges on the Consolidated Statements of Income for the years ended December 29, 2018 and December 30, 2017 was:

	Location of (loss) gain recognized in income on derivatives	(Loss) gain recognized in income on derivatives	
		2018	2017
Foreign exchange contracts	Cost of products sold	\$ (16,697)	\$ 8,700
Foreign exchange contracts	Selling, general and administrative expense	8,113	5,480
Foreign exchange contracts	Foreign exchange loss	—	(743)
Commodity contracts	Cost of products sold	8,852	(23,594)
		<u>\$ 268</u>	<u>\$ (10,157)</u>

Derivative Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis were as follows as of December 29, 2018:

	Gross amounts of recognized assets/liabilities			Gross amounts offset in the Consolidated Balance Sheet (1)	Net amounts presented in the Consolidated Balance Sheet	Gross amounts not offset in the Consolidated Balance Sheet	
	Level 1	Level 2	Level 3			Cash collateral	Net amount
Assets							
Foreign exchange contracts	\$	\$39,073	\$	\$ (22,135)	\$ 16,938	\$ -	\$ 16,938
Commodity contracts		6,171		(637)	6,171	--	6,171
	<u>\$6,171</u>	<u>\$39,073</u>	<u>\$ 637</u>	<u>\$ (22,772)</u>	<u>\$ 23,109</u>	<u>\$ -</u>	<u>\$ 23,109</u>
Liabilities							
Foreign exchange contracts	\$	\$24,035	\$	\$ (22,135)	\$ 1,900	\$	\$ 1,900
Commodity contracts			1,130	(637)	493	(493)	--
	<u>\$</u>	<u>\$24,035</u>	<u>\$ 1,130</u>	<u>\$ (22,772)</u>	<u>\$ 2,393</u>	<u>\$ (493)</u>	<u>\$ 1,900</u>

Assets and liabilities measured at fair value on a recurring basis were as follows as of December 30, 2017:

	Gross amounts of recognized assets/liabilities			Gross amounts offset in the Consolidated Balance Sheet (1)	Net amounts presented in the Consolidated Balance Sheet	Gross amounts not offset in the Consolidated Balance Sheet	
	Level 1	Level 2	Level 3			Cash collateral	Net amount
Assets							
Foreign exchange contracts	\$ -	\$ 37,756	\$ --	\$ (25,933)	\$ 11,823	\$ --	\$ 11,823
Commodity contracts	89	--	--	--	89	--	89
	<u>\$ 89</u>	<u>\$ 37,756</u>	<u>\$ --</u>	<u>\$ (25,933)</u>	<u>\$ 11,912</u>	<u>\$ --</u>	<u>\$ 11,912</u>
Liabilities							
Foreign exchange contracts	\$ -	\$ 33,925	\$ --	\$ (25,933)	\$ 7,992	\$ --	\$ 7,992
	<u>\$ --</u>	<u>\$ 33,925</u>	<u>\$ --</u>	<u>\$ (25,933)</u>	<u>\$ 7,992</u>	<u>\$ --</u>	<u>\$ 7,992</u>

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to net settle positive and negative positions.

As of December 31, 2016 and December 30, 2017, there were no Level 3 derivative assets or liabilities measured at fair value. For the year ending December 30, 2017, there was no activity recorded for Level 3 derivative assets or liabilities. As of December 29, 2018, changes in Level 3 net derivative assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs were as follows:

Balance, December 30, 2017	\$ -
Total realized/unrealized gains (losses) included in net income (a)	3,478
Purchases, sales and net settlements	(3,971)
Balance, December 29, 2018	<u>\$ (493)</u>

(a) Net Income effects are primarily included in cost of products sold.

(9) PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of the following at December 29, 2018 and December 30, 2017:

	2018	2017
Land	\$ 187,901	\$ 183,671
Buildings and fixtures	1,924,895	1,890,960
Machinery and equipment	4,675,017	4,892,201
Construction in progress	673,979	689,885
	<u>7,461,792</u>	<u>7,656,717</u>
Accumulated depreciation	<u>(4,174,149)</u>	<u>(4,294,011)</u>
	<u>\$ 3,287,643</u>	<u>\$ 3,362,706</u>

(10) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying value of goodwill for the years ended December 29, 2018 and December 30, 2017 were as follows:

	2018	2017
Balance, beginning of year:		
Gross carrying amount	\$ 5,833,678	\$ 5,185,789
Accumulated impairment losses	(15,753)	(15,753)
	<u>5,817,925</u>	<u>5,170,036</u>
Goodwill acquired	6,546	97,466
Foreign exchange fluctuations	(291,763)	550,423
Balance, end of year:	<u>\$ 5,532,708</u>	<u>\$ 5,817,925</u>

The gross carrying amount and accumulated amortization by major intangible asset class were as follows:

	2018		2017	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Finite-lived:				
Trademarks	\$ 714,320	\$ 259,557	\$ 779,334	\$ 280,593
Customer relationships	2,706,913	2,589,550	2,872,235	2,522,918
Patents and technology	11,277	3,902	11,844	2,955
Other	69,623	69,503	43,386	40,956
Total	<u>\$ 3,502,133</u>	<u>\$ 2,922,512</u>	<u>\$ 3,706,799</u>	<u>\$ 2,847,422</u>

Amortization expense for each of the next five years is estimated to be \$32 million, \$32 million, \$32 million, \$31 million and \$31 million.

Based on the Company's annual impairment test of indefinite-lived trademarks, the Company recognized an impairment loss of \$8 million related to a pet nutrition indefinite-lived trademark during the year ended December 30, 2017.

(11) RESTRUCTURING

From time to time, the Company approves and implements restructuring plans to better manage the Company's cost structure and more effectively align certain operations with current business conditions. The Company expects the majority of the restructuring plans to be completed within one year, with plans in certain countries extending beyond one year as a result of compliance with local country laws.

The changes in the accrued restructuring balances consisted of the following:

	Severance and benefits	Other restructuring related costs	Total
Balance, December 31, 2016	\$ 22,677	\$ 6,936	\$ 29,613
Expense	99,025	14,494	113,519
Payments	(45,146)	(16,292)	(61,438)
Foreign exchange fluctuations	2,299	16	2,315
Balance, December 30, 2017	\$ 78,855	\$ 5,154	\$ 84,009
Expense	85,275	13,709	98,984
Payments	(72,736)	(9,591)	(82,327)
Foreign exchange fluctuations	(3,977)	(338)	(4,315)
Balance, December 29, 2018	\$ 87,417	\$ 8,934	\$ 96,351

Restructuring charges of \$80 million and \$19 million were recorded during 2018 in selling, general and administrative expense and cost of products sold, respectively. Included in the 2018 restructuring charges were \$69 million of expenses incurred related to the combination of the Company's Mars Chocolate and Wrigley segments into a new segment called Mars Wrigley Confectionery. The Company expects to incur additional restructuring charges of about \$36 million related to Mars Wrigley Confectionery through 2020.

Restructuring charges of \$96 million and \$18 million were recorded during 2017 in selling, general and administrative expense and cost of products sold, respectively. Included in the 2017 restructuring charges were \$79 million of expenses incurred related to the combination of the Company's Mars Chocolate and Wrigley segments into a new segment called Mars Wrigley Confectionery.

The restructuring liability is included in accounts payable and accrued liabilities, and other liabilities on the Consolidated Balance Sheets.

(12) COMMITMENTS AND CONTINGENCIES

The Company is party to various lawsuits and actions arising in the course of its business. The Company accrues for litigation and claims when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company has evaluated claims in accordance with the accounting guidance for contingencies. In the opinion of the Company, based on a number of factors, including advice of outside legal counsel in certain instances, the ultimate resolution of these matters will not have a material adverse effect on the financial position or results of operations or cash flows of the Company. However, it is reasonably possible that some matters could be decided unfavorably to the Company and could require the Company to make payments in amounts that could be material. In the opinion of management, this potential exposure is not reasonably estimable.

The Company has committed to an investment in limited partnerships not to exceed \$20 million, of which \$6 million remains committed and unfunded at December 29, 2018.

The Company has entered into agreements to lease certain office and warehouse facilities and equipment under both capital and operating leases. Amortization of assets recorded under capital leases was included in depreciation expense.

Rental expense under operating leases was \$89 million and \$94 million for the year ended December 29, 2018 and December 30, 2017, respectively. The following is a summary of future minimum lease payments for all capital leases and operating leases as of December 29, 2018:

	Capital leases	Operating leases	Total
2019	\$ 7,522	\$ 86,323	\$ 93,845
2020	7,430	58,842	66,272
2021	7,404	39,692	47,096
2022	7,523	25,058	32,581
2023	7,650	21,804	29,454
Thereafter	88,737	56,825	145,562
Total minimum lease payments	126,266	\$ 288,544	\$ 414,810
Less Interest	(58,482)		
Present value of minimum lease payments	67,784		
Current portion of obligations under capital leases	(7,522)		
Long-term portion of obligations under capital leases	\$ 60,262		

(13) RELATED PARTIES

The Company enters into various transactions with its Parent in the normal course of business or in connection with integration activities between the two companies. Such transactions include the purchase and sale of finished product, the sublicensing of Wrigley intellectual property rights, the purchase and sale of property, plant and equipment, and the transfer and cross charging of associate and other charges.

For the years ending December 29, 2018 and December 30, 2017 transactions with related parties were as follows:

In thousands	Location on the Financial Statements	2018	2017
Sales	Net Sales	\$ 1,534,625	\$ 1,482,524
Purchases	Cost of products sold and inventory	\$ 1,998,134	\$ 1,470,244
Shared service costs, management fees, technology fees, and other charges	Selling, general, and administrative expenses	\$ 817,278	\$ 382,681
Interest (income) expense (from) with Mars, net	Interest (income) expense (from) with Mars, net	\$ (98,601)	\$ 112,618

As of December 29, 2018 and December 30, 2017, WIHC has a net receivable due from Mars of \$8,743 million and \$6,010 million, respectively, and is presented within current assets. These assets include the net of accounts receivable, cash management, notes receivable, notes payable, and accounts payable balances. Mars generally has the unilateral ability to modify its global intercompany capital structure, and modify the payment terms for note agreements, accounts receivable and accounts payable.

During the years ended December 29, 2018 and December 30, 2017, WIHC made non-cash dividends to Mars of \$10 million and \$1,475 million, respectively. During the years ended December 29, 2018 and December 30, 2017, Mars made non-cash investments in WIHC of \$290 million and \$3,594 million, respectively. These non-cash dividends and affiliate investments are included in the Consolidated Statement of Stockholders' Investment.

Cash payments for affiliate interest were \$6 million and \$56 million for the years ended December 29, 2018 and December 30, 2017, respectively.

Credit facilities

On December 7, 2015, a Mars subsidiary in China (Mars Foods (China) Co., Ltd) entered into a revolving credit facility to borrow up to ¥950 million from WJHC's Chinese subsidiary (Mars Wrigley Confectionery (China) Ltd). The credit facility matures on December 7, 2020. As of December 29, 2018 and December 30, 2017, the Mars subsidiary in China had borrowings of ¥735 million and ¥0 million, respectively. The borrowings of ¥735 million as of December 29, 2018 bear an interest rate of 2% with an auto-extending maturity date of no later than December 7, 2020.

On April 6, 2017, a Mars subsidiary in China (Mars Foods (China) Co., Ltd) entered into a revolving credit facility to borrow up to ¥650 million from WJHC's Chinese Subsidiary (Mars Wrigley Confectionery (China) Ltd). The credit facility matures on December 7, 2020. As of December 29, 2018 and December 30, 2017, the Mars subsidiary in China had no borrowings outstanding under the agreement.

(14) ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss, net of tax, at December 29, 2018 and December 30, 2017 were as follows:

	Foreign currency translation adjustments	Unrealized gain on investments	Pension and other postretirement benefits	Total
Balance, December 31, 2016	\$ (4,169,888)	\$ 91,483	\$ (2,703,111)	\$ (6,781,516)
Other comprehensive income before reclassification	1,412,082	77,070	(383,406)	1,105,746
Reclassification from other comprehensive income	—	(9,371)	216,715	207,344
Other comprehensive income, net	1,412,082	67,699	(166,691)	1,313,090
Balance, December 30, 2017	\$ (2,757,806)	\$ 159,182	\$ (2,869,802)	\$ (5,468,426)
Other comprehensive income before reclassification	(1,052,153)	(44,730)	(4,888)	(1,101,771)
Reclassification from other comprehensive income	—	(12,883)	200,428	187,545
Other comprehensive income, net	(1,052,153)	(57,613)	195,540	(914,226)
Balance, December 29, 2018	\$ (3,809,959)	\$ 101,569	\$ (2,674,262)	\$ (6,382,652)

The components of comprehensive income for the year ended December 29, 2018 were as follows:

	Total WIHC	Noncontrolling interests	Total
Net income	\$ 1,775,550	\$ 3,770	\$ 1,779,320
Cumulative translation adjustments, net of tax benefit of \$4,741	(1,052,153)	(111)	(1,052,264)
Unrealized loss on available-for-sale securities:			
Unrealized losses arising during period, net of tax benefit of \$191	(44,730)	-	(44,730)
Less: reclassification of (gains) on investments included in net income, net of tax expense of \$1	(12,883)	-	(12,883)
Net change in pension and other postretirement expense, net of tax expense of \$34,095 (a)	195,540	-	195,540
Comprehensive income	<u>\$ 861,324</u>	<u>\$ 3,659</u>	<u>\$ 864,983</u>

- (a) Refer to Note 5, Pension and other postretirement plans, for information related to the prior service costs arising during the period, the net loss arising during the period and amortization of prior service costs included in net periodic pension cost.

The components of comprehensive income for the year ended December 30, 2017 were as follows:

	Total WIHC	Noncontrolling interests	Total
Net income	\$ 1,313,418	\$ 802	\$ 1,314,220
Cumulative translation adjustments, net of tax benefit of \$18,776	1,412,082	-	1,412,082
Unrealized gain on available-for-sale securities:			
Unrealized gains arising during period, net of tax benefit of \$846	77,070	-	77,070
Less: reclassification of (gains) on investments included in net income, net of tax expense of \$50	(9,371)	-	(9,371)
Net change in pension and other postretirement expense, net of tax benefit of \$54,799 (a)	(166,691)	-	(166,691)
Comprehensive income	<u>\$ 2,626,508</u>	<u>\$ 802</u>	<u>\$ 2,627,310</u>

- (a) Refer to Note 5, Pension and other postretirement plans, for information related to the prior service costs arising during the period, the net loss arising during the period and amortization of prior service costs included in net periodic pension cost.

(Gains)/Losses reclassified from accumulated other comprehensive loss and recognized in the Consolidated Statements of Income were included in the following financial statement line items during the years ended December 29, 2018 and December 30, 2017:

Description of Accumulated Other Comprehensive Loss Components	Location of (Gain) Loss Recognized in the Statements of Income	Amounts Reclassified from Accumulated Other Comprehensive Loss	
		2018	2017
Unrealized Gain on Investments			
Realized gain on sale of investments	Investment income	\$ (12,884)	\$ (9,421)
	Tax expense	(1)	(50)
	Net of tax	<u>\$ (12,883)</u>	<u>\$ (9,371)</u>
Pension and Other Postretirement Benefits			
Net loss	(b)	\$ 270,856	\$ 291,586
Net prior service cost	(b)	2,654	1,341
Net transition asset	(b)	-	-
	Total before tax	<u>273,510</u>	<u>292,927</u>
	Tax benefit	<u>73,082</u>	<u>76,212</u>
	Net of tax	<u>\$ 200,428</u>	<u>\$ 216,715</u>

(b) Accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 5, Pension and other postretirement plans, for additional detail.

(15) SUBSEQUENT EVENTS

The Company evaluated subsequent events through August 23, 2019, the date the Consolidated Financial Statements were available to be issued, for conditions both existing and not existing as of December 29, 2018 and concluded there were no subsequent events to recognize and no subsequent events to disclose.