

Company Registration No. 04471100 (England and Wales)

AFFINITY PETCARE UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



Saffery Champness
CHARTERED ACCOUNTANTS

AFFINITY PETCARE UK LIMITED

COMPANY INFORMATION

Directors	Carlos Enrique Argente Cordomi Francisco de Assis Andreu Civit Juan Martin Gallego
Secretary	Francisco de Assis Andreu Civit
Company number	04471100
Registered office	Lion House Red Lion Street London WC1R 4GB
Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Bankers	Deutsche Bank PO Box 441 6 Bishopsgate London EC2P 2AT

AFFINITY PETCARE UK LIMITED

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AFFINITY PETCARE UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activity of the company is that of advertising, promotion and sale of dried pet food products.

The company is making progress into the English market as expected.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Future developments

The directors will continue to take advantage of any business opportunity that may arise and ensure the profitability of the company.

Directors

The following directors have held office since 1 January 2005:

Carlos Enrique Argente Cordomi

Francisco de Assis Andreu Civit

Juan Martin Gallego

Directors' interests

None of the directors have any beneficial interest in the share capital of the company. The directors beneficial interests in the share capital of the parent company, Affinity Petcare S.A., are disclosed within those accounts.

There are no schemes to benefit the directors by enabling them to buy shares in or debentures of the company.

Auditors

Saffery Champness were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

AFFINITY PETCARE UK LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



.....
Francisco de Assis Andreu Civit
Director

A.7.6.2006

AFFINITY PETCARE UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFFINITY PETCARE UK LIMITED

We have audited the financial statements on pages 5 to 13. These financial statements have been prepared in accordance with the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

AFFINITY PETCARE UK LIMITED

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF AFFINITY PETCARE UK LIMITED**

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Saffery Champness

19 October 2006

Chartered Accountants
Registered Auditors

Lion House
Red Lion Street
London
WC1R 4GB

AFFINITY PETCARE UK LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £	2004 £
Turnover	2	1,956,927	204,621
Cost of sales		(1,668,643)	(28,217)
Gross profit		288,284	176,404
Distribution costs		(258,328)	-
Administrative expenses		(409,776)	(194,189)
Operating loss	3	(379,820)	(17,785)
Other interest receivable and similar income		1,191	41
Interest payable and similar charges	4	(6,090)	(81)
Loss on ordinary activities before taxation		(384,719)	(17,825)
Tax on loss on ordinary activities	5	-	6,946
Loss on ordinary activities after taxation	11	(384,719)	(10,879)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 8 to 13 form part of these financial statements.


AFFINITY PETCARE UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	6		14,313		18,153
Investments	7		20		20
			<u>14,333</u>		<u>18,173</u>
Current assets					
Debtors	8	690,061		46,215	
Cash at bank and in hand		462,439		6,222	
		<u>1,152,500</u>		<u>52,437</u>	
Creditors: amounts falling due within one year	9	(1,137,592)		(56,648)	
Net current assets/(liabilities)			<u>14,908</u>		<u>(4,211)</u>
Total assets less current liabilities			<u>29,241</u>		<u>13,962</u>
Capital and reserves					
Called up share capital	10		400,000		2
Profit and loss account	11		(370,759)		13,960
Shareholders' funds - equity interests	12		<u>29,241</u>		<u>13,962</u>

The notes on pages 8 to 13 form part of these financial statements.

The financial statements were authorised for issue and approved by the board on 19/10/2006
and signed on its behalf by



Francisco de Assis Andreu Civit
Director

AFFINITY PETCARE UK LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	£	2005 £	£	2004 £
Net cash inflow from operating activities	16		61,118		30,773
Returns on investments and servicing of finance					
Interest received		1,191		41	
Interest paid		(6,090)		(81)	
Net cash outflow for returns on investments and servicing of finance			(4,899)		(40)
Taxation			-		(6,946)
Capital expenditure and financial investment					
Payments to acquire tangible assets		-		(20,073)	
Payments to acquire investments		-		(20)	
Net cash outflow for capital expenditure			-		(20,093)
Net cash inflow before management of liquid resources and financing			56,219		3,694
Financing					
Issue of ordinary share capital		399,998		-	
Net cash outflow from financing			399,998		-
Increase in cash in the year	17, 18		456,217		3,694

AFFINITY PETCARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and rendered services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery - 20% straight line

1.5 Deferred taxation

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

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

Geographical market

	Turnover	
	2005	2004
	£	£
Europe	-	163,154
UK	1,956,927	41,467
	<u>1,956,927</u>	<u>204,621</u>

AFFINITY PETCARE UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

3	Operating loss	2005	2004
		£	£
	Operating loss is stated after charging:		
	Depreciation of tangible assets	3,840	1,920
	Loss on foreign exchange transactions	10,482	-
	Auditors' remuneration	4,500	2,500
	Remuneration of auditors for non-audit work	3,625	15,500
		<u> </u>	<u> </u>
4	Interest payable	2005	2004
		£	£
	On amounts payable to group companies	5,947	74
	On bank loans and overdrafts	-	7
	On overdue tax	143	-
		<u> </u>	<u> </u>
		6,090	81
		<u> </u>	<u> </u>
5	Taxation	2005	2004
		£	£
	Domestic current year tax		
	Adjustment for prior years	-	(6,946)
		<u> </u>	<u> </u>
	Current tax charge	-	(6,946)
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(384,719)	(17,825)
		<u> </u>	<u> </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	(115,416)	(5,348)
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	-	197
	Depreciation add back	1,152	576
	Capital allowances	(903)	(2,408)
	Tax losses carried forward	115,167	37
		<u> </u>	<u> </u>
		115,416	(1,598)
		<u> </u>	<u> </u>
	Current tax charge	-	(6,946)
		<u> </u>	<u> </u>

The company has estimated losses of £ 354,291 (2004: £ 123) available for carry forward against future trading profits.

On the basis of these financial statements no provision has been made for corporation tax.

AFFINITY PETCARE UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005****6 Tangible fixed assets**

	Plant and machinery £
Cost	
At 1 January 2005 & at 31 December 2005	<u>20,073</u>
Depreciation	
At 1 January 2005	1,920
Charge for the year	<u>3,840</u>
At 31 December 2005	<u>5,760</u>
Net book value	
At 31 December 2005	<u>14,313</u>
At 31 December 2004	<u>18,153</u>

7 Fixed asset investments

	Unlisted investments £
Cost	
At 1 January 2005 & at 31 December 2005	<u>20</u>

8 Debtors

	2005 £	2004 £
Trade debtors	668,550	36,392
Amounts owed by subsidiary undertakings	1,962	1,875
Corporation tax	6,946	6,946
Other debtors	10,165	1,002
Prepayments and accrued income	<u>2,438</u>	<u>-</u>
	<u>690,061</u>	<u>46,215</u>

AFFINITY PETCARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

9 Creditors: amounts falling due within one year	2005	2004
	£	£
Trade creditors	60,586	7,961
Amounts owed to parent and fellow subsidiary undertakings	955,367	9,263
Taxes and social security costs	-	2,393
Accruals and deferred income	121,639	37,031
	<u>1,137,592</u>	<u>56,648</u>

10 Share capital	2005	2004
	£	£
Authorised		
1,000,000 Ordinary Shares of £1 each	<u>1,000,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
400,000 Ordinary Shares of £1 each	<u>400,000</u>	<u>2</u>

During the year 399,998 ordinary shares of £1 each were allotted and fully paid at par for cash consideration to provide additional working capital.

11 Statement of movements on profit and loss account	Profit and loss account
	£
Balance at 1 January 2005	13,960
Retained loss for the year	<u>(384,719)</u>
Balance at 31 December 2005	<u>(370,759)</u>

12 Reconciliation of movements in shareholders' funds	2005	2004
	£	£
Loss for the financial year	(384,719)	(10,879)
Proceeds from issue of shares	<u>399,998</u>	<u>-</u>
Net addition to/(depletion in) shareholders' funds	15,279	(10,879)
Opening shareholders' funds	<u>13,962</u>	<u>24,841</u>
Closing shareholders' funds	<u>29,241</u>	<u>13,962</u>

AFFINITY PETCARE UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005****13 Employees****Number of employees**

The average monthly number of employees (including directors) during the year was:

	2005	2004
	Number	Number
Management	5	4
Employment costs		
	£	£
Wages and salaries	94,466	18,304
Social security costs	9,269	2,526
	103,735	20,830

14 Control

The ultimate parent company is Affinity Petcare SA , a company registered in Spain.

15 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

16 Reconciliation of operating loss to net cash inflow from operating activities	2005	2004
	£	£
Operating loss	(379,820)	(17,785)
Depreciation of tangible assets	3,840	1,920
(Increase)/decrease in debtors	(643,846)	45,247
Increase in creditors within one year	1,080,944	1,391
Net cash inflow from operating activities	61,118	30,773

AFFINITY PETCARE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

17 Analysis of net (debt)/funds	1 January 2005	Cash flow	Other non- cash changes	31 December 2005
	£	£	£	£
Net cash:				
Cash at bank and in hand	6,222	456,217	-	462,439
Net funds	6,222	456,217	-	462,439
18 Reconciliation of net cash flow to movement in net funds			2005	2004
			£	£
Increase in cash in the year			456,217	3,694
Movement in net funds in the year			456,217	3,694
Opening net funds			6,222	2,528
Closing net funds			462,439	6,222