

Company Registration No. 04471100 (England and Wales)

AFFINITY PETCARE UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

Saffery Champness
CHARTERED ACCOUNTANTS

TUESDAY



A14
A09UAZAK
29/04/2008
COMPANIES HOUSE 76

AFFINITY PETCARE UK LIMITED

COMPANY INFORMATION

Directors Carlos Enrique Argente Cordom
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

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8 - 14

AFFINITY PETCARE UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and financial statements for the year ended 31 December 2006

Principal activities and review of the business

Affinity Petcare UK Limited operates as a subsidiary company of Affinity Petcare S A with the principal activities of advertising, promotion and sale of dried pet food products

The results for the company show satisfactory figures for the year 2006. We could increment our turnover in 34 % and reached sales of £2,628,480. The company is making significant progress into the English market although the results for the company still show losses on the ordinary activities after taxation £428,436.

The management of the business and the execution of the company's strategy are not subject to any specific risks.

Gross Margin went up from 14.7% to 16.51% which shows an improvement in terms of mix vs last year. In terms of volume, the company experienced an increase by 15% over the previous year.

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

Our expectations for the future are good as we expect to keep growing in the English market due to directed activities in advertising and promotion. The challenge of the company is to improve its current weighted average distribution. It is expected that new Brands are going to be listed in this market which let the company to improve its competitive position.

Directors

The following directors have held office since 1 January 2006:

Carlos Enrique Argente Cordomí
Francisco de Assis Andreu Civit
Juan Martín Gallego

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.

Auditors

Saffery Champness have expressed their willingness to remain in office as auditors of the company.

AFFINITY PETCARE UK LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,
- 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 that 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 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.

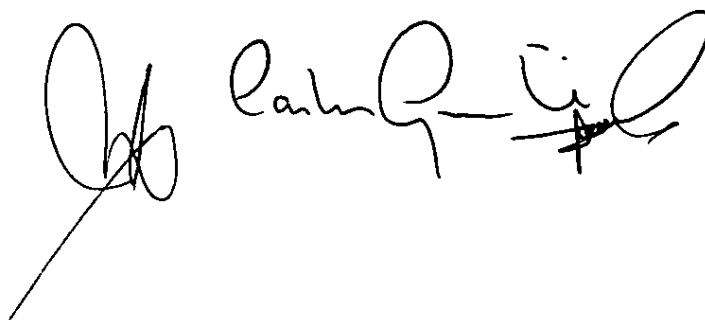
Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Francisco de Assis Andreu Civit
Director

17-03-2008



AFFINITY PETCARE UK LIMITED

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

We have audited the financial statements of Affinity Petcare UK Limited for the year ended 31 December 2006 set out on pages 5 to 14. These financial statements have been prepared under the accounting policies set out therein.

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.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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.

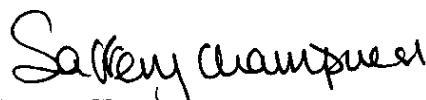
AFFINITY PETCARE UK LIMITED

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS 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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Saffery Champness

17 March 2008

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 2006**

	Notes	2006 £	2005 £
Turnover	2	2,628,480	1,956,927
Cost of sales		(2,179,359)	(1,668,643)
Gross profit		449,121	288,284
Distribution costs		(261,001)	(258,328)
Administrative expenses		(610,092)	(409,776)
Operating loss	3	(421,972)	(379,820)
Other interest receivable and similar income	4	2,768	1,191
Interest payable and similar charges	5	(9,232)	(6,090)
Loss on ordinary activities before taxation		(428,436)	(384,719)
Tax on loss on ordinary activities	6	-	-
Loss for the year	12	(428,436)	(384,719)

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 14 form part of these financial statements

AFFINITY PETCARE UK LIMITED

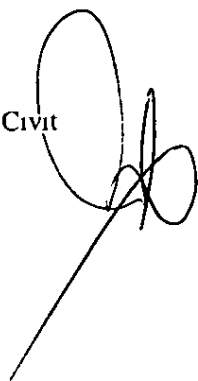
BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	7	12,029		14,313	
Investments	8	20		20	
		<u>12,049</u>		<u>14,333</u>	
Current assets					
Debtors	9	497,579		690,061	
Deferred tax asset	9	-		-	
Cash at bank and in hand		137,914		462,439	
		<u>635,493</u>		<u>1,152,500</u>	
Creditors: amounts falling due within one year	10	<u>(346,737)</u>		<u>(1,137,592)</u>	
Net current assets		<u>288,756</u>		<u>14,908</u>	
Total assets less current liabilities		<u>300,805</u>		<u>29,241</u>	
Capital and reserves					
Called up share capital	11	1,100,000		400,000	
Profit and loss account	12	(799,195)		(370,759)	
Shareholders' funds	13	<u>300,805</u>		<u>29,241</u>	

The notes on pages 8 to 14 form part of these financial statements

Approved by the Board and authorised for issue on 17 03 2008

Francisco de Assis Andreu Civit
Director





AFFINITY PETCARE UK LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	£	2006 £	£	2005 £
Net cash (outflow)/inflow from operating activities	17		(1,025,007)		61,118
Returns on investments and servicing of finance					
Interest received		2,768		1,191	
Interest paid		(9,232)		(6,090)	
Net cash outflow for returns on investments and servicing of finance			(6,464)		(4,899)
Taxation			6,946		-
Net cash (outflow)/inflow before management of liquid resources and financing			(1,024,525)		56,219
Financing					
Issue of ordinary share capital		700,000		399,998	
Net cash inflow from financing			700,000		399,998
(Decrease)/increase in cash in the year	18, 19		(324,525)		456,217

AFFINITY PETCARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

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	- 16% reducing balance
---------------------	------------------------

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value

1.6 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

1.7 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

AFFINITY PETCARE UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006****2 Turnover****Geographical market**

	Turnover	
	2006	2005
	£	£
UK	2,628,480	1,956,927
	<u>2,628,480</u>	<u>1,956,927</u>

3 Operating loss

	2006	2005
	£	£
Operating loss is stated after charging		
Depreciation of tangible assets	2,284	3,840
Loss on foreign exchange transactions	32,491	10,482
Fees payable to the company's auditor for the audit of the company's annual accounts	4,650	4,500
	<u>4,650</u>	<u>4,500</u>

4 Investment income

	2006	2005
	£	£
Bank interest	2,768	1,191
	<u>2,768</u>	<u>1,191</u>

5 Interest payable

	2006	2005
	£	£
On amounts payable to group companies	9,232	5,947
On overdue tax	-	143
	<u>9,232</u>	<u>6,090</u>

AFFINITY PETCARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

6	Taxation	2006	2005
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(428,436)	(384,719)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	(128,531)	(115,416)
	Effects of		
	Depreciation add back	2,284	1,152
	Capital allowances	(2,258)	(903)
	Tax losses carried forward	128,505	115,167
		128,531	115,416
	Current tax charge	-	-

The company has estimated losses of £ 796,423 (2005 - £ 354,291) available for carry forward against future trading profits

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

7	Tangible fixed assets	Plant and machinery £
	Cost	
	At 1 January 2006 & at 31 December 2006	20,073
	Depreciation	
	At 1 January 2006	5,760
	Charge for the year	2,284
	At 31 December 2006	8,044
	Net book value	
	At 31 December 2006	12,029
	At 31 December 2005	14,313

AFFINITY PETCARE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

8 Fixed asset investments

	Unlisted investments £
Cost	
At 1 January 2006 & at 31 December 2006	20
Net book value	
At 31 December 2006	20
At 31 December 2005	20

9 Debtors

	2006 £	2005 £
Trade debtors	486,579	668,550
Amounts owed by subsidiary undertakings	-	1,962
Corporation tax	-	6,946
Other debtors	3,500	10,165
Prepayments and accrued income	7,500	2,438
	<u>497,579</u>	<u>690,061</u>

10 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	2,300	60,586
Amounts owed to parent and fellow subsidiary undertakings	145,066	955,367
Taxes and social security costs	15,649	-
Accruals and deferred income	183,722	121,639
	<u>346,737</u>	<u>1,137,592</u>

AFFINITY PETCARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

11 Share capital	2006 £	2005 £
Authorised		
2,000,000 Ordinary Shares of £1 each	<u>2,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
1,100,000 Ordinary Shares of £1 each	<u>1,100,000</u>	<u>400,000</u>
During the year 700,000 ordinary shares of £1 each were allotted and fully paid at par for cash consideration to provide additional working capital		
12 Statement of movements on profit and loss account		Profit and loss account £
Balance at 1 January 2006		(370,759)
Loss for the year		<u>(428,436)</u>
Balance at 31 December 2006		<u>(799,195)</u>
13 Reconciliation of movements in shareholders' funds	2006 £	2005 £
Loss for the financial year	(428,436)	(384,719)
Proceeds from issue of shares	<u>700,000</u>	<u>399,998</u>
Net addition to shareholders' funds	271,564	15,279
Opening shareholders' funds	<u>29,241</u>	<u>13,962</u>
Closing shareholders' funds	<u>300,805</u>	<u>29,241</u>

AFFINITY PETCARE UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006****14 Employees****Number of employees**

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

	2006 Number	2005 Number
Management	<u>6</u>	<u>5</u>
Employment costs	2006 £	2005 £
Wages and salaries	137,173	94,466
Social security costs	14,921	9,269
	<u>152,094</u>	<u>103,735</u>

15 Control

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

16 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

17 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities	2006 £	2005 £
Operating loss	(421,972)	(379,820)
Depreciation of tangible assets	2,284	3,840
Decrease/(increase) in debtors	185,536	(643,846)
(Decrease)/Increase in creditors within one year	<u>(790,855)</u>	<u>1,080,944</u>
Net cash (outflow)/inflow from operating activities	<u><u>(1,025,007)</u></u>	<u><u>61,118</u></u>

AFFINITY PETCARE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

18 Analysis of net funds	1 January 2006	Cash flow	Other non- cash changes	31 December 2006
	£	£	£	£
Net cash				
Cash at bank and in hand	462,439	(324,525)	-	137,914
Net funds	<u>462,439</u>	<u>(324,525)</u>	<u>-</u>	<u>137,914</u>

19 Reconciliation of net cash flow to movement in net funds	2006 £	2005 £
(Decrease)/increase in cash in the year	(324,525)	456,217
Movement in net funds in the year	(324,525)	456,217
Opening net funds	462,439	6,222
Closing net funds	<u>137,914</u>	<u>462,439</u>