

**Company Registration No. 04471100 (England and Wales)**

**AFFINITY PETCARE UK LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**AFFINITY PETCARE UK LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	Francesc d'Assis Andreu Civit Mario Franqués Viscarrà (Appointed 2 June 2008) Juan Martín Gallego
<b>Secretary</b>	Francesc d'Assis Andreu Civit
<b>Company number</b>	04471100
<b>Registered office</b>	Lion House Red Lion Street London WC1R 4GB
<b>Auditors</b>	Saffery Champness Lion House Red Lion Street London WC1R 4GB
<b>Bankers</b>	Deutsche Bank PO Box 441 6 Bishopsgate London EC2P 2AT

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## **AFFINITY PETCARE UK LIMITED**

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## **AFFINITY PETCARE UK LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007**

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The directors present their report and financial statements for the year ended 31 December 2007

#### **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 dry pet food products

The results for the year improved from the previous year by £222k despite the reduction in turnover. If discounts given is taken into account the net turnover actually increased by 6.1%, from £1,984,862 to £2,105,798. The company is continuing to make significant progress into the English market although the results for the company still show losses on the ordinary activities after taxation

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

The increase in gross margin from 16.51% to 21.7% is due to an improvement in the sales mix and value compared to last 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**

The company has been able during this year to reduce administrative expenses by 9% as a percentage of turnover. However, distribution costs have increased due to changes in distribution methods. Product lines have increased, although weighted average distribution costs continues to be the challenge facing the company with regard to increasing volume

#### **Directors**

The following directors have held office since 1 January 2007

Carlos Enrique Argente Cordoni	(Resigned 2 June 2008)
Francesc d'Assis Andreu Civit	
Mario Franqués Viscari	(Appointed 2 June 2008)
Juan Martín Gallego	

#### **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 2007**

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#### **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

  
24-10-2008

Francesc d'Assis Andreu Civit  
Director

## **AFFINITY PETCARE UK LIMITED**

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

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We have audited the financial statements of Affinity Petcare UK Limited for the year ended 31 December 2007 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**

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**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 2007 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*

**Saffery Champness**

24-10-08

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 2007**

	Notes	2007 £	2006 £
Turnover	2	2,365,040	2,628,480
Cost of sales		(1,850,657)	(2,179,359)
Gross profit		514,383	449,121
Distribution costs		(361,137)	(261,001)
Administrative expenses		(369,391)	(610,092)
Other operating income		650	-
Operating loss	3	(215,495)	(421,972)
Other interest receivable and similar income	4	9,457	2,768
Interest payable and similar charges	5	-	(9,232)
Loss on ordinary activities before taxation		(206,038)	(428,436)
Tax on loss on ordinary activities	6	-	-
Loss for the year	13	(206,038)	(428,436)

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 2007

	Notes	2007 £	£	2006 £	£
<b>Fixed assets</b>					
Tangible assets	7		10,104		12,029
Investments	8		20		20
			<u>10,124</u>		<u>12,049</u>
<b>Current assets</b>					
Debtors	9	652,145		497,579	
Cash at bank and in hand		47,827		137,914	
		<u>699,972</u>		<u>635,493</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(615,329)</u>		<u>(346,737)</u>	
<b>Net current assets</b>			<u>84,643</u>		<u>288,756</u>
<b>Total assets less current liabilities</b>			<u>94,767</u>		<u>300,805</u>
<b>Provisions for liabilities</b>	11		<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	12		1,100,000		1,100,000
Profit and loss account	13		(1,005,233)		(799,195)
<b>Shareholders' funds</b>	14		<u>94,767</u>		<u>300,805</u>

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

Approved by the Board and authorised for issue on 24-10-2008

Francese d'Assis Andreu Civit  
Director

Juan Martin Gallego  
Director

**AFFINITY PETCARE UK LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	£	2007 £	£	2006 £
<b>Net cash outflow from operating activities</b>	<b>18</b>		<b>(99,544)</b>		<b>(1,025,007)</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		9,457		2,768	
Interest paid		-		(9,232)	
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>			<b>9,457</b>		<b>(6,464)</b>
<b>Taxation</b>			<b>-</b>		<b>6,946</b>
<b>Net cash outflow before management of liquid resources and financing</b>			<b>(90,087)</b>		<b>(1,024,525)</b>
<b>Financing</b>					
Issue of ordinary share capital		-		700,000	
<b>Net cash (outflow)/inflow from financing</b>			<b>-</b>		<b>700,000</b>
<b>Decrease in cash in the year</b>	<b>19, 20</b>		<b>(90,087)</b>		<b>(324,525)</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

Geographical market	Turnover	
	2007 £	2006 £
UK	2,365,040	2,628,480

**AFFINITY PETCARE UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2007**

<b>3</b>	<b>Operating loss</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Operating loss is stated after charging		
	Depreciation of tangible assets	1,925	2,284
	Loss on foreign exchange transactions	-	32,491
	Fees payable to the company's auditor for the audit of the company's annual accounts	5,000	4,650
	and after crediting:		
	Profit on foreign exchange transactions	(20,107)	-
		<u></u>	<u></u>
<b>4</b>	<b>Investment income</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Bank interest	3,651	2,768
	Other interest	5,806	-
		<u></u>	<u></u>
		9,457	2,768
		<u></u>	<u></u>
<b>5</b>	<b>Interest payable</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	On amounts payable to group companies	-	9,232
		<u></u>	<u></u>

**AFFINITY PETCARE UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2007**

<b>6 Taxation</b>	<b>2007</b>	<b>2006</b>
<b>Current tax charge</b>	<u>-</u>	<u>-</u>
 <b>Factors affecting the tax charge for the year</b>		
Loss on ordinary activities before taxation	<u>(206,038)</u>	<u>(428,436)</u>
 Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	<u>(61,811)</u>	<u>(128,531)</u>
 Effects of:		
Non deductible expenses	(2,162)	(2,617)
Depreciation add back	578	685
Capital allowances	(508)	(677)
Tax losses carried forward	63,903	131,140
	<u>61,811</u>	<u>128,531</u>
 <b>Current tax charge</b>	<u>-</u>	<u>-</u>

The company has estimated losses of £ 1,009,435 (2006 - £ 796,423) available for carry forward against future trading profits.

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

<b>7 Tangible fixed assets</b>	<b>Plant and machinery £</b>
 <b>Cost</b>	
At 1 January 2007 & at 31 December 2007	<u>20,073</u>
 <b>Depreciation</b>	
At 1 January 2007	8,044
Charge for the year	1,925
	<u>9,969</u>
At 31 December 2007	
 <b>Net book value</b>	
At 31 December 2007	<u>10,104</u>
At 31 December 2006	<u>12,029</u>

**AFFINITY PETCARE UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**8 Fixed asset investments**

	Unlisted investments £
<b>Cost</b>	
At 1 January 2007 & at 31 December 2007	20
<b>Net book value</b>	
At 31 December 2007	20
At 31 December 2006	20

**9 Debtors**

	2007 £	2006 £
Trade debtors	541,399	486,579
Amounts owed by fellow subsidiary undertakings	108,246	-
Other debtors	2,500	3,500
Prepayments and accrued income	-	7,500
	<u>652,145</u>	<u>497,579</u>

**10 Creditors: amounts falling due within one year**

	2007 £	2006 £
Trade creditors	13,181	2,300
Amounts owed to parent and fellow subsidiary undertakings	391,365	145,066
Taxes and social security costs	62,893	15,649
Accruals and deferred income	147,890	183,722
	<u>615,329</u>	<u>346,737</u>

**AFFINITY PETCARE UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**11 Provisions for liabilities and charges**

Deferred taxation provided in the financial statements and the amounts not provided are as follows

	Not provided		Provided	
	2007	2006	2007	2006
	£	£	£	£
Decelerated capital allowances	1,507	1,576	-	-
Other timing differences	(2,639)	(4,800)	-	-
Tax losses available	(302,950)	(238,927)	-	-
	<u>(304,082)</u>	<u>(242,151)</u>	<u>-</u>	<u>-</u>

**12 Share capital**

	2007	2006
	£	£
<b>Authorised</b>		
2,000,000 Ordinary Shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
<b>Allotted, called up and fully paid</b>		
1,100,000 Ordinary Shares of £1 each	<u>1,100,000</u>	<u>1,100,000</u>

**13 Statement of movements on profit and loss account**

	Profit and loss account £
Balance at 1 January 2007	(799,195)
Loss for the year	<u>(206,038)</u>
Balance at 31 December 2007	<u>(1,005,233)</u>

**AFFINITY PETCARE UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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<b>14 Reconciliation of movements in shareholders' funds</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	(206,038)	(428,436)
Proceeds from issue of shares	-	700,000
Net (depletion in)/addition to shareholders' funds	(206,038)	271,564
Opening shareholders' funds	300,805	29,241
Closing shareholders' funds	<u>94,767</u>	<u>300,805</u>

**15 Employees****Number of employees**

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

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Management	<u>5</u>	<u>6</u>

**Employment costs**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Wages and salaries	132,801	137,173
Social security costs	15,201	14,921
	<u>148,002</u>	<u>152,094</u>

**16 Control**

The ultimate parent company is Corporacion Agrolimen S A , a company registered in Spain

**17 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



**AFFINITY PETCARE UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

<b>18 Reconciliation of operating loss to net cash outflow from operating activities</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Operating loss	(215,495)	(421,972)
Depreciation of tangible assets	1,925	2,284
(Increase)/decrease in debtors	(154,566)	185,536
Increase/(decrease) in creditors within one year	268,592	(790,855)
<b>Net cash outflow from operating activities</b>	<b>(99,544)</b>	<b>(1,025,007)</b>

<b>19 Analysis of net funds</b>	<b>1 January 2007</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 December 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net cash				
Cash at bank and in hand	137,914	(90,087)	-	47,827
<b>Net funds</b>	<b>137,914</b>	<b>(90,087)</b>	<b>-</b>	<b>47,827</b>

<b>20 Reconciliation of net cash flow to movement in net funds</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Decrease in cash in the year	(90,087)	(324,525)
<b>Movement in net funds in the year</b>	<b>(90,087)</b>	<b>(324,525)</b>
Opening net funds	137,914	462,439
<b>Closing net funds</b>	<b>47,827</b>	<b>137,914</b>