

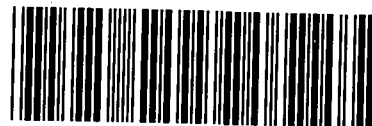
---

**Mars Petcare UK**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 DECEMBER 2013**

FRIDAY



\*A3G91R7S\*

A18

12/09/2014

#306

COMPANIES HOUSE

---

**Mars Petcare UK**

---

**CONTENTS**

---

	Page
<b>Strategic Report</b>	1 - 3
<b>Directors' Report</b>	4 - 5
<b>Independent Auditors' Report</b>	6 - 7
<b>Profit and Loss Account</b>	8
<b>Statement of Total Recognised Gains and Losses</b>	9
<b>Balance Sheet</b>	10
<b>Notes to the Financial Statements</b>	11 - 24

**STRATEGIC REPORT  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

The directors present their strategic report on the company for the year ended 28 December 2013.

**PRINCIPAL ACTIVITIES**

The principal activities of the company are the manufacturer and sale of pet food related products.

**BUSINESS REVIEW**

The profit for the year, after taxation, amounted to £16,411,000 (2012: £46,922,000). As at 28 December 2013 the company had net assets of £131,615,000 (2012: £116,655,000).

The performance of the year reflects the investment into products, brands, processes and consumer and customer relationships as part of our on-going strategy to reflect and adapt to anticipated changes in consumer attitudes and behaviour, as well as increase the focus on key areas of the market place.

During the year, the company closed down the factory at Peterborough with net closure costs totalling £8,121,000. Assets with book net book value of £7,252,000 were sold for £762,000, resulting in a loss of £6,490,000. There were further costs relating to demolition of £10,000 and restructuring of £1,621,000. The net cost has been disclosed in the profit and loss account as other exceptional items.

The directors consider that the company is well placed to take advantage of changes in the market place and that recent levels of profitability will be maintained.

The directors do not expect any significant change in the nature of the company's business for the foreseeable future.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties facing the business include:

- possible fluctuations in the price and availability of raw materials;
- accidental or malicious contamination of our products or their ingredients, despite the fact that the company manufactures products in accordance with the highest standards of quality and food safety;
- potential disruption of our manufacturing and/or distribution process in the event of circumstances beyond our control such as adverse weather, flood, fire, system failure or a major interruption in the supply of raw material;
- pricing pressure as a result of consolidation of the retail trade;
- the need for the company to contribute significant additional funding to the company's pension plans in the event that the investment performance or changes in actuarial assumptions of the pension funds result in the plans being under-funded.

These risks and uncertainties are managed day to day by discreet management teams responsible for each segment of the company's business and who report to the directors.

STRATEGIC REPORT (continued)

---

**FINANCIAL KEY PERFORMANCE INDICATORS**

The directors consider the following indicators to be key in measuring the performance of the business:

	28 December 2013 £'000	29 December 2012 £'000
Turnover	541,074	549,486
Profit before tax	23,668	46,357
Gross profit margin (%)	24	24
Operating profit margin (%)	5.9	8.5

**FINANCIAL RISK MANAGEMENT**

The company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, credit risk, counterparty risk, interest rate risk, liquidity risk and foreign exchange risk. 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. The company mitigates this risk by agreeing fixed price medium term contracts.

*Credit risk*

The company has implemented policies that require appropriate credit 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.

*Counterparty risk*

The counterparties for derivative contracts are financial institutions that have a minimal A rating or with counterparties that operate on exchanges using margin calls thus limiting any credit risk, or with the intermediate parent company Food Manufacturers (G.B. Company). Taken together the company believes it has minimal credit risk related to derivative instruments.

*Interest rate risk*

The main exposure to interest rate risk is the inter-company balances. Interest is charged at a rate of up to 1% above the UK base rate and is reviewed and monitored by management regularly. Given the nature of this, the directors do not believe that it is appropriate to use any instruments to manage this exposure.

*Liquidity risk*

The company is cash generative. To the extent necessary it is supported by its intermediate parent company, Food Manufacturers (G.B. Company).

*Foreign exchange risk*

The company is exposed to foreign exchange rate risk as a result of its operations. Suitable forward rate contracts are used to hedge the rate risk. All contracts are valued using widely available forward prices.

---

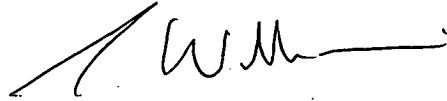
**Mars Petcare UK**

---

**STRATEGIC REPORT (continued)**

---

This report was approved by the board and signed on its behalf on 28 April 2014.

A handwritten signature in black ink, appearing to read 'C Williams', is written over a horizontal line.

**C Williams**  
**Director**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

The directors present their annual report and the financial statements for the year ended 28 December 2013.

**STATEMENT OF DIRECTORS RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, Directors' Report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 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. 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.

**RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £16,411,000 (2012: £46,922,000).

No dividends have been paid or proposed to the ordinary shareholders of the company during the year (2012: none).

**DIRECTORS**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

S Guthrie-Brown  
M Gallacher  
C Williams

**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.

**POLITICAL CONTRIBUTIONS**

No political donations were made during the year (2012: £nil).

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

**ASSOCIATES**

The company believes that it is important that all associates are closely involved in the fortunes of the business for which they work and have a clear understanding of the particular contribution which each should make to the realisation of that business' objectives.

Communication has continued at all levels, with the aim that all associates are aware of the financial and economic performance of the business. Over a long period, the business has developed a variety of communication and discussion practices closely tailored to its particular needs and circumstances, the most important of these being regular briefing sessions of associates with their managers. Associates are asked to take on direct and total responsibility for results, exercising initiative and making decisions, as their tasks require. Linking the business pay plan to its major operating and financial results further strengthens the mutuality of associates' involvement in the performance of the business.

Single status treatment of its associates is one of the hallmarks of the company's industrial relations policy. It is an equal opportunity employer, the only criteria for selection and promotion being the skills and aptitude of the individual in relation to the particular job and needs of the business concerned.

The company is glad to provide worthwhile employment for disabled or medically restricted persons. It is the company's practice to identify jobs that are within the capabilities of such persons and fill them with these personnel. Should associates become disabled, it is the company's policy to continue their employment where possible with appropriate training and redeployment where necessary.

Training and career development programmes are designed on an individual basis for all associates so that the particular needs and aptitudes of each person can best be met and developed.

**DISCLOSURE OF INFORMATION TO AUDITORS**

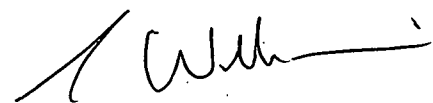
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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.

**INDEPENDENT AUDITORS**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

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



**C Williams  
Director**

**Date: 28 April 2014**

---

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARS PETCARE UK**

---

We have audited the financial statements of Mars Petcare UK for the year ended 28 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the Statement of Directors Responsibilities on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



---

**Mars Petcare UK**

---

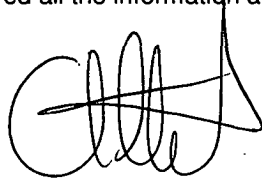
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARS PETCARE UK**

---

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Christopher Hibbs (Senior Statutory Auditor)  
For and behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands**

**28 April 2014**

**Mars Petcare UK**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 28 DECEMBER 2013**

	Note	28 December 2013 £000	29 December 2012 £000
<b>TURNOVER</b>	2	<b>541,074</b>	549,486
Cost of sales		<b>(409,820)</b>	(418,774)
<b>GROSS PROFIT</b>		<b>131,254</b>	130,712
Distribution costs		<b>(32,055)</b>	(29,946)
Administrative expenses		<b>(67,043)</b>	(54,122)
<b>OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>	9	<b>32,156</b>	46,644
<b>EXCEPTIONAL ITEMS</b>			
Other exceptional items	10	<b>(8,121)</b>	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>24,035</b>	46,644
Interest receivable and similar income	3	<b>1,141</b>	1,122
Interest payable and similar charges	4	<b>(1,395)</b>	(1,409)
Other finance charges	5	<b>(113)</b>	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>23,668</b>	46,357
Tax on profit on ordinary activities	11	<b>(7,257)</b>	565
<b>PROFIT FOR THE FINANCIAL YEAR</b>	21	<b>16,411</b>	46,922

All amounts relate to continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

The notes on pages 11 to 24 form part of these financial statements.

---

Mars Petcare UK

---

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

	Note	28 December 2013 £000	29 December 2012 £000
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>16,411</b>	<b>46,922</b>
Actuarial (loss)/gain related to deferred cash promise	24	(1,814)	100
Deferred tax attributable to actuarial (loss)/gain		363	(23)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		<b>14,960</b>	<b>46,999</b>

The notes on pages 11 to 24 form part of these financial statements.

**Mars Petcare UK**  
**REGISTERED NUMBER: 06649984**

**BALANCE SHEET**  
**AS AT 28 DECEMBER 2013**

	Note	28 December 2013 £000	29 December 2012 £000
<b>FIXED ASSETS</b>			
Intangible assets	12	17,419	17,419
Tangible assets	13	110,820	124,514
		<u>128,239</u>	<u>141,933</u>
<b>CURRENT ASSETS</b>			
Stocks	14	29,221	26,450
Debtors	15	202,102	177,944
Cash at bank and in hand		2,827	3,111
		<u>234,150</u>	<u>207,505</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(223,748)</u>	<u>(226,087)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>10,402</u>	<u>(18,582)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>138,641</u>	<u>123,351</u>
<b>CREDITORS: amounts falling due after more than one year</b>	17	(142)	(149)
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred tax	19	<u>(3,712)</u>	<u>(5,777)</u>
<b>NET ASSETS EXCLUDING DEFERRED BENEFIT LIABILITIES</b>		<u>134,787</u>	<u>117,425</u>
Deferred benefit liability	24	<u>(3,172)</u>	<u>(770)</u>
<b>NET ASSETS INCLUDING DEFERRED BENEFIT LIABILITIES</b>		<u>131,615</u>	<u>116,655</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	502	502
Profit and loss account	21	131,113	116,153
<b>TOTAL SHAREHOLDERS' FUNDS</b>	22	<u>131,615</u>	<u>116,655</u>

The notes on pages 11 to 24 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**C Williams**  
**Director**

**Date: 28 April 2014**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

**1. ACCOUNTING POLICIES**

**1.1 Statement of accounting policies**

The financial statements have been prepared under the historical cost convention, on a going concern basis, in accordance with the Companies Act 2006, except for the specific provision on the Act relating to the amortisation of goodwill as explained below, and applicable accounting standards in the United Kingdom, which have been consistently applied.

**1.2 Cash flow statement**

The company is a wholly owned subsidiary of Mars Peterborough UK Holdings Limited and is included in the consolidated financial statements of Effem Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from the requirement to draw up a cash flow statement in accordance with Financial Reporting Standard 1 (Revised 1996) "Cash Flow Statements".

**1.3 Related party disclosures**

The company is exempt under the terms of Financial Reporting Standard 8 "Related Party Disclosures" from disclosing related party transactions with other wholly owned group companies.

**1.4 Turnover**

Turnover comprises sales to customers (excluding VAT) and is stated at amounts invoiced to customers after trade discounts. Consideration received from customers is only recorded as turnover when the company has completed full performance in respect of that consideration.

**1.5 Commodity and currency forward contracts**

The company uses commodity and currency forward contracts to hedge its exposures. Gains or losses on hedges are recognised in the period to which they relate.

**1.6 Foreign currencies**

Monetary assets and liabilities denominated 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 Profit and Loss Account.

**1.7 Operating leases**

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

**1. ACCOUNTING POLICIES (continued)**

**1.8 Research and development**

Research and development expenditure is written off in the year in which it is incurred.

**1.9 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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold land	-	Not depreciated
Plant & machinery	-	10-50% per annum
Freehold property	-	5-10% per annum

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.

Accelerated depreciation may be charged where the directors consider there to have been a reduction in the useful economic life of an asset or an impairment in the underlying value of an asset.

**1.10 Pensions and deferred cash promises**

Mars Petcare UK participates, along with other employers in the Effem Holdings Group in a non-contributory, self-administered defined benefit pension plan, which is funded. Mars Petcare UK is unable to identify its share of the underlying assets and liabilities in the group pension scheme and hence it is accounted for as a defined contribution scheme under Financial Reporting Standard 17 "Retirement Benefits". Information in respect of the scheme and the £121.8 million deficit (2012: £318.6 million deficit) is available in the consolidated financial statements of Effem Holdings Limited, which may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. Contributions are charged to the profit and loss account as they are incurred.

For associates who have joined since 1 January 2003, a defined contribution plan, the Associates Savings Plan ("ASP") is available.

The company additionally operates an unfunded, non-contributory, self-administered, deferred cash promise. The deficit of this promise is recognised in full on the balance sheet and represents the present value of the promise obligations at the balance sheet date.

The charge recognised in the Profit and Loss Account consists of current service costs. In addition a finance cost is charged based on the interest on promise liabilities. Experience gains and losses and changes in actuarial assumptions are included directly in the statement of total recognised gains and losses.

Curtailment gains and losses are measured using actuarial assumptions. Curtailment gains and losses are taken to the Profit and Loss Account when the company is irrevocably committed to the transaction.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

**1. ACCOUNTING POLICIES (continued)**

**1.11 Intangible assets**

Goodwill represents the excess of the fair value of the consideration paid to acquire new businesses over the fair value of the separately identifiable and separable net assets at the date of the acquisition.

The directors have concluded that the goodwill relating to the UK Petcare business should not be amortised as it has an indefinite useful economic life. The goodwill is considered to have an indefinite durability that can be demonstrated and its value can be readily measured.

The business operates in longstanding and profitable market sectors where the brands associated with key products enjoy stable market shares. The income streams from the UK Petcare business can be separately identified and recorded, hence the investment can be valued on a discounted cash flow basis. In accordance with Financial Reporting Standard 11 "Impairment of fixed assets and goodwill" an annual impairment review is carried out.

The non-amortisation of goodwill constitutes a departure from the Companies Act 2006, for the overriding purpose of giving a true and fair view of the company's results. If goodwill arising on the acquisition had been written off over a 20 year period, the operating profit would have decreased by £870,950 (2012: £870,950) for the year ended 29 December 2012. Cumulatively, goodwill would have been amortised by £4,555,750 (2012: £3,684,800).

**1.12 Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads, including a share of manufacturing depreciation, based on the normal level of activity. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Where necessary, provision is made for obsolete, slow moving and defective stock.

**1.13 Taxation**

Corporation tax 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.

**1.14 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.15 Provisions**

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

**1.16 Long-term incentives**

Liabilities under long-term incentive schemes payable on retirement are based on an actuarial valuation and actuarial gains and losses are recognised as employee expenses.

**2. SEGMENTAL REPORTING**

All turnover arose within the United Kingdom.

The company's activities consist solely of the manufacture and sale of pet food and pet food related products.

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Interest receivable from group undertakings	1,123	1,107
Other interest receivable	18	15
	<b>1,141</b>	<b>1,122</b>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
On bank loans and overdrafts	1	-
On loans from group undertakings	1,394	1,409
	<b>1,395</b>	<b>1,409</b>



**Mars Petcare UK**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

**5. OTHER FINANCE CHARGES**

	<b>28 December 2013 £000</b>	29 December 2012 £000
Interest on pension scheme liabilities	<b>(113)</b>	-

**6. DIRECTORS' EMOLUMENTS**

	<b>28 December 2013 £000</b>	29 December 2012 £000
Aggregate emoluments	<b>630</b>	1,057
Defined benefit schemes: accrued pension at end of the year.	<b>125</b>	114

Retirement benefits are accruing to two directors (2012: two) under the group's defined benefit schemes' and to no directors (2012: none) under money purchase pension schemes.

**Highest paid director**

	<b>28 December 2013 £000</b>	29 December 2012 £000
Aggregate emoluments	<b>557</b>	737
Defined benefit schemes: accrued pension at end of the year.	<b>121</b>	110

**7. AUDITORS' REMUNERATION**

	<b>28 December 2013 £000</b>	29 December 2012 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<b>98</b>	99
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	<b>322</b>	328
All other services	<b>24</b>	28

The fees relating to non audit services represent a share of the UK group costs.

---

**Mars Petcare UK**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

**8. ASSOCIATES**

The average monthly number of employees by activity, including the directors, during the year was as follows:

	<b>28 December 2013 No.</b>	<b>29 December 2012 No.</b>
Production	487	751
Selling and distribution	195	215
Administration	358	198
Total	<u>1,040</u>	<u>1,164</u>

**Staff costs were as follows**

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Wages and salaries	39,652	40,132
Social security costs	4,667	4,019
Other pension	46,573	39,017
Total	<u>90,892</u>	<u>83,168</u>

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Deferred benefit costs (Note 24)	<u>1,132</u>	<u>600</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

**9. OPERATING PROFIT**

The operating profit is stated after charging:

	28 December 2013 £000	29 December 2012 £000
Depreciation of tangible fixed assets:		
- owned by the company	19,958	13,529
Loss on disposal of fixed assets	2,760	23
Research and development	6,138	5,783
Hire of plant and machinery under operating leases	209	203
Rental of property under operating leases	11,250	7,228
	<u>          </u>	<u>          </u>

The research and development costs incurred by the company, before recharges made to other group companies, were £22,666,000 (2012: £22,386,000).

**10. EXCEPTIONAL ITEMS**

	28 December 2013 £000	29 December 2012 £000
Factory closure costs	8,121	-
	<u>          </u>	<u>          </u>

The company closed down the Peterborough factory in August 2013. Assets with net book value of £7,252,000 were sold for £762,000, resulting in a loss of £6,490,000. There were further costs relating to demolition of £10,000 and restructuring of £1,621,000.

**11. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	28 December 2013 £000	29 December 2012 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	7,447	5,485
Adjustments in respect of prior years	2,075	(6,106)
<b>Total current tax</b>	<u>9,522</u>	<u>(621)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,591)	(99)
Effect of change in tax rate	(538)	(487)
Adjustments in respect of prior years	(136)	642
<b>Total deferred tax</b> (see note 19)	<u>(2,265)</u>	<u>56</u>
<b>Tax on profit on ordinary activities</b>	<u>7,257</u>	<u>(565)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

**11. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Profit on ordinary activities before tax	<b>23,668</b>	46,357
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	<b>5,503</b>	11,357
<b>Effects of:</b>		
Depreciation in excess of capital allowances	<b>1,642</b>	(37)
Adjustments in respect of prior years	<b>2,075</b>	(6,106)
Other timing differences	<b>6</b>	134
Group relief received for £nil consideration	<b>-</b>	(6,151)
Permanent differences	<b>296</b>	182
<b>Current tax (credit)/charge for the year (see note above)</b>	<b>9,522</b>	(621)

**Factors that may affect future tax charges**

The main rate of corporation tax in the United Kingdom reduced from 24% to 23% effective 1 April 2013. During the year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantially enacted on 2 July 2013, the relevant deferred tax balances have been re-measured.

**12. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £000</b>
<b>Cost</b>	
At 30 December 2012 and 28 December 2013	<b>17,419</b>
<b>Net book value</b>	
At 28 December 2013	<b>17,419</b>
At 29 December 2012	17,419

**Mars Petcare UK**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

**13. TANGIBLE FIXED ASSETS**

	Freehold land & property £000	Plant & machinery £000	Capital work in progress £000	Total £000
<b>Cost</b>				
At 30 December 2012	73,921	80,888	21,974	176,783
Additions	-	-	9,193	9,193
Disposals	(3,176)	(16,946)	-	(20,122)
Transfer between classes	5,781	11,761	(17,542)	-
At 28 December 2013	76,526	75,703	13,625	165,854
<b>Accumulated Depreciation</b>				
At 30 December 2012	14,294	37,975	-	52,269
Charge for the year	5,754	14,204	-	19,958
On disposals	(2,446)	(14,747)	-	(17,193)
At 28 December 2013	17,602	37,432	-	55,034
<b>Net book value</b>				
At 28 December 2013	58,924	38,271	13,625	110,820
At 29 December 2012	59,627	42,913	21,974	124,514

**14. STOCKS**

	28 December 2013 £000	29 December 2012 £000
Raw materials	4,796	6,701
Finished goods and goods for resale	24,425	19,749
	<u>29,221</u>	<u>26,450</u>

At 28 December 2013, depreciation of £211,000 (2012: £389,000) has been included in the finished stock valuation.

**15. DEBTORS**

	28 December 2013 £000	29 December 2012 £000
Trade debtors	23,597	20,475
Amounts owed by group undertakings	177,473	156,655
Other debtors	660	469
Prepayments and accrued income	372	345
	<u>202,102</u>	<u>177,944</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

**15. DEBTORS (continued)**

Amounts owed by group undertakings relate to trading balances and unsecured loans, with no redemption period. Interest is charged at a rate not exceeding 1% above the UK base rate on unsecured loans, with no interest charged on short term trading balances.

**16. CREDITORS:**

**Amounts falling due within one year**

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Trade creditors	56,826	61,095
Amounts owed to group undertakings	116,427	119,969
Corporation tax	1,861	2,190
Other taxation and social security	14,276	6,720
Other creditors	293	-
Accruals and deferred income	34,065	36,113
	<b>223,748</b>	<b>226,087</b>

Amounts owed to group undertakings relate to trading balances and unsecured loans, with no redemption period. Interest is charged at a rate not exceeding 1% above the UK base rate on unsecured loans, with no interest charged on short term trading balances.

**17. CREDITORS:**

**Amounts falling due after more than one year**

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Accruals and deferred income	142	149

**18. FINANCIAL INSTRUMENTS**

	<b>Book value 28 December 2013 £000</b>	<b>Fair value 28 December 2013 £000</b>	<b>Book value 29 December 2012 £000</b>	<b>Fair value 29 December 2012 £000</b>
Derivatives - forward rate contracts (liabilities)/assets	-	(93)	-	296

**Mars Petcare UK**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

**19. PROVISION FOR LIABILITIES**

Deferred tax, excluding deferred tax on deferred cash promises.

	28 December 2013 £000	29 December 2012 £000
At beginning of year	5,777	5,593
(Released)/charged during the year	(2,065)	184
At end of year	<u>3,712</u>	<u>5,777</u>

The provision for deferred taxation is made up as follows:

	28 December 2013 £000	29 December 2012 £000
Accelerated capital allowances	4,711	7,317
Other timing differences	(999)	(1,540)
	<u>3,712</u>	<u>5,777</u>

**20. SHARE CAPITAL**

	28 December 2013 £000	29 December 2012 £000
<b>Allotted, called up and fully paid</b>		
502,001 (2012: 502,001) Ordinary shares of £1 each	<u>502</u>	<u>502</u>

**21. RESERVES**

	Profit and loss account £000
At 30 December 2012	116,153
Profit for the financial year	16,411
Pension reserve movement	(1,451)
At 28 December 2013	<u>131,113</u>

The closing balance on the Profit and Loss Account includes a £3,172,000 debit (2012 - £770,000 debit), stated after deferred taxation of £793,000 (2012 - £230,000), in respect of deferred cash promise commitments. See note 24.

---

Mars Petcare UK

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013

---

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	28 December 2013 £000	29 December 2012 £000
Opening shareholders' funds	116,655	69,656
Profit for the year	16,411	46,922
Other recognised gains and losses during the year	(1,451)	77
Closing shareholders' funds	<u>131,615</u>	<u>116,655</u>

23. CAPITAL COMMITMENTS

At 28 December 2013 the company had capital commitments as follows:

	28 December 2013 £000	29 December 2012 £000
Capital expenditure that has been contracted for but not provided for in these financial statements	<u>1,432</u>	<u>4,499</u>

24. PENSION AND DEFERRED CASH PROMISE COMMITMENTS

Mars Petcare UK participates, along with other employers in the Effem Holdings Group in a non-contributory, self-administered defined benefit pension plan, which is funded. Mars Petcare UK is unable to identify its share of the underlying assets and liabilities in the group pension scheme and hence it is accounted for as a defined contribution scheme under Financial Reporting Standard 17 "Retirement Benefits". Contributions are therefore charged to the profit and loss account as they are incurred.

The Associates Retirement Plan ("ARP") pension charge for the year was £45,675,000 (2012: £36,541,000).

There is also a defined contribution plan, the Associate Savings Plan ("ASP"). The ASP pension charge for the year was £897,000 (2012: 926,000).

The company operates unfunded, non-contributory, self-administered, deferred cash promises.

The latest valuation of these promises were carried out at 31 December 2011 and have been updated to 29 December 2012 by independent qualified actuaries in accordance with FRS 17 amended 'Retirement Benefits'.

The amounts recognised in the Balance Sheet are as follows:

	28 December 2013 £000	29 December 2012 £000
Present value of deferred cash promise obligations	(3,965)	(1,000)
Related deferred tax asset	<u>793</u>	<u>230</u>
Net liability	<u>(3,172)</u>	<u>(770)</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

**24. PENSION AND DEFERRED CASH PROMISE COMMITMENTS (continued)**

The amounts recognised in profit or loss are as follows:

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Current service cost	(1,132)	(600)
Interest on obligation	(113)	-
<b>Total</b>	<b>(1,245)</b>	<b>(600)</b>

Changes in the present value of the deferred cash promise obligation are as follows:

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Obligations as 29 December 2012	1,000	500
Current service cost	1,132	600
Interest cost	113	-
Actuarial Losses/(gains)	1,814	(100)
Benefits paid	(94)	-
<b>Obligations as 28 December 2013</b>	<b>3,965</b>	<b>1,000</b>

The principal actuarial assumptions at the balance sheet date used to determine the value of the deferred benefit obligations were a discount rate of 4.4% (2012:4.4%), future salary increases of between 4.5% to 6.5% (2012:4.25% to 6.25%), pension increases of between 2.0% and 3.2% (2012: 1.9% to 3.0%) and an inflation assumption of between 2.5% to 3.5% (2012: 2.75% to 3.25%).

Amounts for the current and previous years are as follows:

Defined benefit pension schemes

	<b>28 December 2013 £000</b>	<b>29 December 2012 £000</b>
Deferred cash promise obligation	(3,965)	(1,000)
Experience adjustments on scheme liabilities	(1,615)	200

---

**Mars Petcare UK**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 DECEMBER 2013**

---

**25. OPERATING LEASE COMMITMENTS**

At 28 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>28 December</b>	<b>29 December</b>	<b>28 December</b>	<b>29 December</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expiry date:</b>				
Within 1 year	<b>136</b>	-	<b>521</b>	53
Between 2 and 5 years	<b>11,132</b>	<b>7,475</b>	<b>416</b>	<b>342</b>

**26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's ultimate parent undertaking and controlling party is Mars, Incorporated, a company incorporated in the State of Delaware, USA. The company's immediate parent undertaking is Mars Peterborough UK Holdings Limited, a company registered in England and Wales. The company is a wholly owned subsidiary of Effem Holdings Limited, a company registered in England and Wales, and is included in the consolidated financial statements of that company, which may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.