Registered number: 06649984

Mars Petcare UK

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 29 DECEMBER 2018

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Mars Petcare UK

CONTENTS

STRATEGIC REPORT
FOR THE PERIOD ENDED 29 DECEMBER 2018

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

Principal activities

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

Business review and future development

The profit for the financial period, amounted to £58,721,000 (2017: £48,679,000). As at 29 December 2018 the company had net assets of £327,986,000 (2017: £223,702,000).

Dividends of £nil (2017: £79,687,000) have been proposed and paid to holders of the ordinary shares, this represents £nil (2017: £158.73863) per share. No final dividend has been proposed (2017: £nil).

The performance of the period reflects the investment into products, brands, processes 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.

The business continues to concentrate its research and development efforts on improving its product ranges, so it is best placed to service the markets in which it operates.

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.

On 30 December 2018 the company acquired the Trade and Assets of the group's James Wellbeloved brand from Crown Pet Foods Limited for book value.

The Directors are monitoring the impact of the Brexit vote on the Company and the terms on which the United Kingdom may withdraw from the European Union. It is difficult to evaluate all of the potential implications on the Company's operations and the wider economy. The directors have accessed the impact of any Brexit implications to the best of their abilities and have taken actions to overcome any potential impact. The Directors will continue to manage business activities including any updates to the impact.

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 29 DECEMBER 2018

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.

Financial key performance indicators ("KPIs")

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

	29 December 2018	30 December 2017
	£'000	£'000
Turnover	523,107	513,072
Profit before taxation	72,047	62,742
Gross profit margin (%)	27	25
Operating profit margin (%)	14	13

During the period sales and profit grew which is reflective of the continued business focus and investment into products, brands, processes and consumer relationships.

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 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.

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 29 DECEMBER 2018

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

I. J. Langer.

I Langer
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 29 DECEMBER 2018

The directors present their report and the audited financial statements for the period ended 29 December 2018. The results represent the 52 week period ended 29 December 2018, and the comparatives represent the 52 week period ended 30 December 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the period amounted to £58,721,000 (2017 - £48,679,000).

As at 29 December 2018, the company had net assets of £327,986,000 (2017: £223,702,000).

Dividends of £nil (2017: £79,687,000) have been proposed and paid to holders of the ordinary shares, this represents £nil (2017: £158.73863) per share. No final dividend has been proposed (2017: £nil).

Directors

The directors who served during the period and up the date of signing the financial statements were:

D Watkins
I Langer
D Haines
A Parton

Directors' indemnities

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

29 December 2018

No political donations were made during the period (2017: £nil).

Mars Petcare UK

Details of future developments shown in the strategic report.

Financial risk management

Details of financial risk management are shown in the strategic report.

Going concern

Details of going concern are shown in the accounting policies.

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's 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 independent auditors

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

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

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 on 16 September 2019 and signed on its behalf.

I. T. Langer

I Langer
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARS PETCARE UK

Report on the audit of the financial statements

Opinion

In our opinion, Mars Petcare UK's financial statements:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARS PETCARE UK

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
16 September 2019

INCOME STATEMENT
FOR THE PERIOD ENDED 29 DECEMBER 2018

	Note	**Period ended 29 December 2018 £000**	Period ended 30 December 2017 £000
Turnover	**4**	**523,107**	513,072
Cost of sales		**(383,594)**	(384,485)
Gross profit		**139,513**	128,587
Distribution costs		**(38,765)**	(35,769)
Administrative expenses		**(29,535)**	(29,937)
Other operating income	**5**	**1,354**	1,603
Operating profit	**8**	**72,567**	64,484
Interest receivable and similar income	**10**	**917**	72
Interest payable and similar expenses	**11**	**(1,437)**	(1,814)
Profit before taxation		**72,047**	62,742
Tax on profit	**12**	**(13,326)**	(14,063)
Profit for the financial period		**58,721**	48,679

All amounts relate to continuing operations.

The notes on pages 17 to 45 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 29 DECEMBER 2018

	Note	29 December 2018 £000	30 December 2017 £000
Profit for the financial period		**58,721**	48,679
Other comprehensive income			
Gain on defined benefit schemes	**24**	**54,491**	52,637
Movement on deferred tax relating to pension gains		**(12,205)**	(11,277)
Movement on current tax relating to pension gain		**3,277**	2,628
Other comprehensive income for the period		**45,563**	43,988
Total comprehensive income for the period		**104,284**	92,667

The notes on pages 17 to 45 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 29 DECEMBER 2018

	Note		29 December 2018 £000		30 December 2017 £000
Fixed assets					
Intangible assets	**14**		**16,417**		16,874
Tangible assets	**15**		**86,479**		86,900
			102,896		103,774
Current assets					
Stocks	**16**	**33,070**		28,201	
Pension asset due after more than one year	**24**	**111,658**		42,710	
Debtors: amounts falling due within one year	**17**	**368,819**		320,922	
Cash at bank and in hand		**2,212**		1,953	
		515,759		393,786	
Creditors: amounts falling due within one year	**18**	**(246,112)**		(241,777)	
Net current assets			**269,647**		152,009
Total assets less current liabilities			**372,543**		255,783
Creditors: amounts falling due after more than one year	**19**		**(7)**		(48)
			372,536		255,735
Provisions for liabilities					
Deferred tax	**21**	**(16,333)**		(5,715)	
Pension liability	**24**	**(28,217)**		(26,318)	
			(44,550)		(32,033)
Net assets			**327,986**		223,702
Capital and reserves					
Called up share capital	**22**		**502**		502
Retained earnings			**327,484**		223,200
			327,986		223,702

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 29 DECEMBER 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 September 2019.

I. T. Langer

I Langer
Director

The notes on pages 17 to 45 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 29 DECEMBER 2018

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 31 December 2017	502	223,200	223,702
Comprehensive income for the period			
Profit for the financial period	-	58,721	58,721
Gain on defined benefit scheme	-	54,491	54,491
Movement on deferred tax relating to pension gain	-	(12,205)	(12,205)
Movement on current tax relating to pension gain	-	3,277	3,277
Other comprehensive income for the period	-	45,563	45,563
Total comprehensive income for the period	-	104,284	104,284
At 29 December 2018	502	327,484	327,986

The notes on pages 17 to 45 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 DECEMBER 2017

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2017	502	210,220	210,722
Comprehensive income for the period			
Profit for the financial period	-	48,679	48,679
Gain on defined benefit schemes	-	52,637	52,637
Movement on deferred tax relating to pension gain	-	(11,277)	(11,277)
Movement on current tax relating to pension gain	-	2,628	2,628
Other comprehensive income for the period	-	43,988	43,988
Total comprehensive income for the period	-	92,667	92,667
Dividends: Equity capital	-	(79,687)	(79,687)
At 30 December 2017	502	223,200	223,702

The notes on pages 17 to 45 form part of these financial statements.

1. General information

Mars Petcare UK ('the Company') manufactures and sells pet food related products. The company is a private unlimited company and is incorporated in England. The address of its registered office is 3D Dundee Road, Slough, Berkshire, SL1 4LG.

The financial statements of Mars Petcare UK have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the periods presented, unless otherwise stated.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas assumptions and estimates significant to the financial statements are disclosed in note 3.

2.2 Going concern

The Directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The Directors are monitoring the impact of the Brexit vote on the Company and the terms on which the United Kingdom may withdraw from the European Union. It is difficult to evaluate all of the potential implications on the Company's operations and the wider economy. The directors have accessed the impact of any Brexit implications to the best of their abilities and have taken actions to overcome any potential impact. The Directors will continue to manage business activities including any updates to the impact.

2. Summary of significant accounting policies (continued)

2.3 Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows, required under FRS102 paragraph 1.12 (b), on the basis that it is a qualifying entity and its intermediate parent company, Wrigley International Holding Company, includes the company's cash flows in its own consolidated financial statements.

(ii) the requirements of Section 33 Related Party Disclosures paragraph 33.7

2.4 Turnover

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

The company bases its estimate of discounts and rebates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the entity.

2.5 Interest income

Interest income is recognised using the effective interest rate method.

2.6 Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, amounts owed by group undertakings, and cash and bank balances are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, and amounts owed to group undertakings that are classified as debt, are initially recognised at transaction price.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Derivatives

Forward foreign exchange contracts are derivatives and are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement in cost of sales.

The fair value of forward foreign exchange contracts is determined using valuation techniques that utilise observable inputs (Level 2). The key assumptions used in valuing the derivatives are the forward exchange rates relating to the relevant currency pairs and maturity dates of individual instruments held.

The company does not apply hedge accounting for derivatives.

(iv) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Research and development

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

2. Summary of significant accounting policies (continued)

2.8 Operating leases

Leases that do not transfer significant risks and rewards are classified as operating leases.

Rentals under operating leases are charged to the income statement 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 of the lease.

2.9 Leased assets: Lessee

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Assets obtained under hire purchase contracts and finance leases are capitalised at the commencement of the lease as tangible assets, at the fair value of the lease asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the Company's incremental borrowing rate is used. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives.

Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks are recognised as an expense in the period in which the related revenue is recognised. 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.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed up to the original impairment loss, and is recognised as a credit in the income statement.

2. Summary of significant accounting policies (continued)

2.11 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Software – 3 years

Amortisation is charged to the income statement.

Where there are indicators that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

2.12 Goodwill

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the company's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is assessed to be 50 years given the longstanding established brands supporting this longevity.

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

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

2.13 Tangible assets

Tangible assets are stated at cost less depreciation and accumulated impairment losses. 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:

Depreciation is provided on the following basis:

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.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

2. Summary of significant accounting policies (continued)

2.14 Employee benefits

Mars Petcare UK provides a range of benefits to employees.

(i) Short term employee benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Multi employer defined benefit plan
Mars Petcare UK participates, along with other employers in the Effem Holdings Limited Group, in a non-contributory, self-administered defined benefit pension plan, which is funded. Assets are held in a separately administered fund.

In accordance with FRS 102 paragraph 28.11, Mars Petcare UK has recognised a share of the funded position of the pension plan based on the contributions payable.

The contributions to the defined benefit pension plan are assessed in accordance with the advice of a qualified actuary based on actuarial valuations normally conducted every three years using the projected unit credit method. The assets of the plans are held in a separate trustee administered fund. The surplus or deficit of the defined benefit plan represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the statement of financial position date.

The pension charge recognised in the income statement consists of current service costs. In addition a finance cost is charged based on the interest on pension plan liabilities less the expected return on pension assets. Differences between the actual and expected return on assets, experience gains and losses and changes in actuarial assumptions are included directly in the statement of comprehensive income.

(iii) Defined contribution plan
For associates who have joined since 1 January 2003, a defined contribution plan, the Associates Savings Plan ("ASP") is available. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

(iv) Deferred cash promises
The company operates unfunded, non-contributory, self-administered deferred cash promise. The promise is recognised in full in the statement of financial position and represents the present value of the promise obligation at the statement of financial position date.

The company operates unfunded non-contributory, self-administered, deferred cash promises and pension promises to certain associates who have joined the UK business. The promise is recognised in full in the statement of financial position and represents the present value of the promise obligation at the statement of financial position date.

The charge recognised in the income statement 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 to actuarial assumptions are included directly in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

2.14 Employee benefits (continued)

Curtailment gains and losses are measured using actuarial assumptions. Curtailment gains and losses are taken to the income statement account when the company is irrevocably committed to the transaction.

2.15 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.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

2.17 Foreign currency translation

(i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling and rounded to thousands.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the rate of exchange appropriate to the date of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. All other foreign exchange gains and losses are presented in the income statement.

2.18 Current taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies.

2. Summary of significant accounting policies (continued)

2.19 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.

2.20 Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

2.21 Provisions for liabilities

A provision is recognised in the statement of financial position 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.

2. Summary of significant accounting policies (continued)

2.22 Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

2.23 Share capital

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

2.24 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.25 Related party transactions

The Company is exempt from disclosing transactions with related parties, which are wholly owned within the group.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

Key judgements:

(i) Impairment of fixed assets

An annual review of tangible fixed assets is undertaken to establish whether their carrying value should be impaired. This review is based on management's knowledge of the business and of its future plans.

Key accounting estimates and assumptions:

(i) Multi employer defined plan and defined cash promises

The Company has obligations to pay pension benefits and deferred cash promises to certain employees. The present value of the assets and obligations depend on a number of factors, including; life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

(ii) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

iii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 18 for the net carrying amount of the debtors and associated impairment provision.

iv) Trade Spend rebate arrangement

As part of the normal course of business, the Company has entered into rebate arrangement with customers whereby so called on-invoice and off-invoice (discretionary spend) promotions are applied to invoiced sales, based upon achievements of criteria set out upon arrangement. For the promotions activities not settled with customers at period end, the Company is required to make estimates of the discretionary spend achieved. Discounts and promotion arrangements are customer specific; they are tailored to specific contracts and the terms can vary greatly from customer to customer. The trade spend rebate accrual is calculated per customer using data from the point of sale and arrangements with customers. The discretionary trade spend rebate amount accrued represent management's best estimate at a point in time but the ultimate amounts that will be paid can vary depending on customers post year sales patterns or the levels of claims received in comparisons to management's best estimates. All amounts paid or payable to customers are shown as a reduction to revenue in the income statement. Unutilised accruals are released after two years following the year in which the claim is raised, which is in line with the industry regulations.

4. Turnover

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

The directors are of the opinion that disclosure of turnover and operating result by geographical location would be seriously prejudicial to the interests of the company, and therefore segmental analysis as required by Companies Act 2006 has not been made.

5. Other operating income

	29 December 2018 £000	30 December 2017 £000
Research and development expenditure credit	**1,354**	1,603
	1,354	1,603

6. Employees

Staff costs were as follows:

	29 December 2018 £000	30 December 2017 £000
Wages and salaries	**51,596**	50,259
Social security costs	**6,886**	6,520
Other pension and deferred benefit costs (note 24)	**17,233**	17,512
	75,715	74,291

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

	29 December 2018 No.	30 December 2017 No.
Production	**450**	482
Selling and distribution	**169**	196
Administration	**408**	350
	1,027	1,028

7. Directors' remuneration

	29 December 2018 £000	30 December 2017 £000
Directors' emoluments	**1,046**	868
	1,046	868

The highest paid director received remuneration of £669,000 (2017: £374,000)

The value of defined benefit pension scheme accrued pension in respect of the highest paid director amounted to £145,000 (2017: £nil).

Retirement benefits are accruing to 4 directors (2017: 6) under the group's defined benefit schemes.

8. Operating profit

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

	29 December 2018 £000	30 December 2017 £000
Amortisation of intangible assets	**508**	1,236
Impairment of stock	**731**	628
Depreciation of tangible assets	**12,452**	19,168
Loss on disposal of fixed assets	**13**	69
Hire of plant and machinery under operating leases	**162**	171
Research and development	**3,175**	4,180
Rental of properties under operating leases	**12,509**	13,021
Stock recognised as an expense	**353,462**	344,637
Debtors (released from)/written off to bad debt provision	**(25)**	10
Derivative financial instrument (gain)/loss	**(297)**	861

The research and development costs incurred by the company, before recharges made to other group companies, were £28,081,000 (2017: £26,675,000).

Derivative financial instruments relate to forward foreign currency contracts that the company enters into to mitigate foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2018

9. Auditors' remuneration

	29 December 2018 £000	30 December 2017 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**143**	95
	143	95

	29 December 2018 £000	30 December 2017 £000
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	**315**	349
All other services	**95**	40
	410	389

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

Audit fees in respect of shared service functions are borne by Mars Polska Sp. z o.o. on behalf of Mars Petcare UK.

10. Interest receivable and similar income

	29 December 2018 £000	30 December 2017 £000
Interest receivable from group undertakings	**-**	71
Net interest income on post employment benefits	**911**	-
Other interest receivable	**6**	1
	917	72

11. Interest payable and similar expenses

	29 December 2018 £000	30 December 2017 £000
Bank interest payable	-	1
Loans from group undertakings	**1,437**	1,150
Net interest expense on post employment benefits	-	663
	1,437	1,814

12. Tax on profit

	29 December 2018 £000	30 December 2017 £000
Tax included within the income statement		
Current tax on profits for the period	**16,258**	16,857
Adjustments in respect of prior periods	**(1,345)**	(540)
	14,913	16,317
Total current tax	**14,913**	16,317
Deferred tax		
Origination and reversal of timing differences	**(1,896)**	(3,136)
Effect of change in tax rate	**200**	367
Adjustments in respect of prior periods	**109**	515
Total deferred tax	**(1,587)**	(2,254)
Taxation on profit	**13,326**	14,063

12. Tax on profit (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	29 December 2018 £000	30 December 2017 £000
Profit before taxation	**72,047**	62,742
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	**13,689**	12,078
Effects of:		
Adjustments in respect of prior periods	**(1,236)**	(23)
Permanent differences	**673**	1,641
Changes to tax rates	**200**	367
Total tax charge for the period	**13,326**	14,063

Factors that may affect future tax charges

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

13. Dividends

	29 December 2018 £000	30 December 2017 £000
Interim dividend of £nil (2017: £158.73863) per share paid in period	**-**	79,687
	-	79,687

14. Intangible assets

	Software £000	Goodwill £000	Total £000
Cost			
At 31 December 2017	**2,901**	**17,419**	**20,320**
Additions	**37**	**-**	**37**
Disposals	**(63)**	**-**	**(63)**
Transfers between classes	**14**	**-**	**14**
At 29 December 2018	**2,889**	**17,419**	**20,308**
Accumulated Amortisation			
At 31 December 2017	**2,401**	**1,045**	**3,446**
Charge for the period	**160**	**348**	**508**
On disposals	**(63)**	**-**	**(63)**
At 29 December 2018	**2,498**	**1,393**	**3,891**
Net book value			
At 29 December 2018	**391**	**16,026**	**16,417**
At 30 December 2017	500	16,374	16,874

15. Tangible assets

	Freehold land & property £000	Plant & machinery £000	Capital work in progress £000	Total £000
Cost or valuation				
At 31 December 2017	76,740	97,831	4,830	179,401
Additions	603	727	10,728	12,058
Disposals	-	(3,912)	-	(3,912)
Transfers between classes	1,119	2,077	(3,210)	(14)
At 29 December 2018	78,462	96,723	12,348	187,533
Accumulated Depreciation				
At 31 December 2017	35,018	57,483	-	92,501
Charge for the period on owned assets	3,673	8,779	-	12,452
Disposals	-	(3,899)	-	(3,899)
At 29 December 2018	38,691	62,363	-	101,054
Net book value				
At 29 December 2018	39,771	34,360	12,348	86,479
At 30 December 2017	41,722	40,348	4,830	86,900

16. Stocks

	29 December 2018 £000	30 December 2017 £000
Raw materials and consumables	**4,801**	4,519
Finished goods and goods for resale	**28,269**	23,682
	33,070	28,201

At 29 December 2018, depreciation of £560,000 (2017: £416,000) has been included in the finished stock valuation.

Stocks are stated after provisions for impairment of £1,056,000 (2017: £1,243,000).

There is no significant difference between the replacement cost of stock and its carrying value.

17. Debtors: Amounts falling due within one year

	29 December 2018 £000	30 December 2017 £000
Trade debtors	**22,249**	23,335
Amounts owed by group undertakings	**345,215**	293,362
Other debtors	**175**	3,161
Derivative financial instrument (note 20)	**327**	296
Prepayments and accrued income	**853**	768
	368,819	320,922

Amounts owed by group undertakings relate to trading balances and unsecured loans, which are payable on demand. 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.

Trade debtors are stated after provisions for impairment of £448,000 (2017: £473,000).

18. Creditors: Amounts falling due within one year

	29 December 2018 £000	30 December 2017 £000
Trade creditors	**63,223**	69,534
Amounts owed to group undertakings	**107,011**	109,327
Corporation tax	**6,399**	6,840
Other taxation and social security	**14,992**	13,799
Derivative financial instruments note (note 20)	**262**	570
Accruals and deferred income	**52,528**	41,707
Other creditors	**1,697**	-
	246,112	241,777

Amounts owed to group undertakings relate to trading balances and unsecured loans, which are payable on demand. 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.

19. Creditors: Amounts falling due after more than one year

	29 December 2018 £000	30 December 2017 £000
Other creditors	**7**	48
	7	48

20. Financial instruments

	29 December 2018 £000	30 December 2017 £000
Financial assets		
Financial assets measured at fair value through income statement:		
Derivative financial instrument	**327**	296
Financial assets measured at amortised cost:		
Cash at bank and in hand	**2,212**	1,953
Trade debtors	**22,249**	23,335
Other debtors	**175**	3,161
Amounts owed by group undertakings	**345,215**	293,362
	370,178	322,107
Financial liabilities		
Financial liabilities measured at fair value through income statement:		
Derivative financial instruments	**262**	570
Financial liabilities measured at amortised cost:		
Trade creditors	**63,223**	69,534
Amounts owed to group undertakings	**107,011**	109,327
	170,496	179,431

Derivative financial instruments - Forward contracts:

Financial assets and liabilities measured at fair value through income statement comprise forward foreign exchange contracts used to hedge foreign currency exposures of the company. At 29 December 2018, these contracts mature within 12 months (2017: 12 months) of the year-end date. These are measured at fair value, which is determined using valuation techniques that utilise observable inputs, the key inputs used in valuing the derivatives are forward exchange rates. At 29 December 2018, the fair value of foreign exchange forward contracts held are an asset position of £327,000 (2017: £296,000) and a liability position of £262,000 (2017: £570,000).

21. Deferred Taxation

	29 December 2018 £000	30 December 2017 £000
At the beginning of period	**(5,715)**	3,308
Credit to income statement	**1,587**	2,254
Charge to other comprehensive income	**(12,205)**	(11,277)
At end of period	**(16,333)**	(5,715)

The provision of deferred taxation is made up to as follows:

	29 December 2018 £000	30 December 2017 £000
Accelerated capital allowances	**(3,708)**	(3,822)
Defined benefit plan (surplus)/deficit	**(14,187)**	(2,786)
Other timing differences	**1,562**	893
	(16,333)	(5,715)

22. Called up share capital

	29 December 2018 £000	30 December 2017 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
502,001 (2017: 502,001) Ordinary shares of £1 each	**502**	502

There is a single class of ordinary shares. There is no restriction on the distribution of dividends and repayment of capital.

23. Capital commitments

The Company had capital commitments as follows:

	29 December 2018 £000	30 December 2017 £000
Contracted for but not provided in these financial statements - tangible assets	**1,843**	2,652
	1,843	2,652

24. Pension and deferred cash promise commitments

The Company operates a Defined Benefit Pension Scheme.

Mars Petcare UK participates, along with other employers in the Effem Holdings Limited Group, in a funded contributory, self-administered, defined benefit pension plan. Assets are held in a separately administered fund.

The company operates unfunded, non-contributory, self-administered, deferred cash promises and pension promises to certain associates who have joined the UK business.

The latest actuarial valuation of these schemes and promises were carried out at 30 December 2017 and have been updated to 29 December 2018 by independent qualified actuaries in accordance with FRS102.

	29 December 2018 £000	30 December 2017 £000
Reconciliation of present value of plan liabilities		
At the beginning of the period	**1,547,642**	1,502,340
Transfers in	**1,998**	-
Transfers out	**(4,080)**	-
Reallocation of liability from cessation of sponsoring employer	**173,695**	-
Current service cost	**16,072**	16,679
Past service cost	**6,732**	-
Curtailment gain	**(1,647)**	-
Interest cost	**36,284**	37,536
Benefits paid	**(52,665)**	(51,711)
Actuarial (gain)/loss on liabilities	**(33,130)**	42,798
At the end of the period	**1,690,901**	1,547,642

24. Pension and deferred cash promise commitments (continued)

	29 December 2018 £000	30 December 2017 £000
Reconciliation of present value of plan assets		
At the beginning of the period	**1,564,034**	1,457,143
Actuarial gains	**7,614**	95,435
Contributions	**30,028**	26,248
Benefits paid	**(49,890)**	(51,665)
Reallocation of assets from cessation of sponsoring employer	**185,360**	-
Expected return on assets	**37,196**	36,873
At the end of the period	**1,774,342**	1,564,034

24. Pension and deferred cash promise commitments (continued)

	29 December 2018 £000	30 December 2017 £000
Composition of plan assets:		
Equities	**467,539**	391,478
Bonds	**604,873**	511,908
Property	**114,977**	121,682
Other	**586,953**	538,966
Total plan assets	**1,774,342**	1,564,034

Other plan assets include private equity, other alternatives and cash.

	29 December 2018 £000	30 December 2017 £000
Fair value of plan assets	**1,774,342**	1,564,034
Present value of plan liabilities	**(1,690,901)**	(1,547,642)
Net pension scheme asset	**83,441**	16,392

The net pension scheme asset of £83,441,000 (2017: £16,392,000) is reflected in the statement of financial position in current assets under Pension asset due after more than one year of £111,658,000 (2017: £42,710,000) and in provision for liabilities of £28,217,000 (2017: £26,318,000).

The closing plan/promise obligation includes an asset relating to a funded, self-administered, defined benefit pension plan of £111,658,000 (2017 asset: £42,710,00), obligations relating to self-administered deferred cash promises of £16,210,000 (2017: £11,624,000) and obligations relating to certain associates who have joined the UK business of £12,007,000 (2017: £14,694,000).

The expected return on plan assets is the discount rate times the asset value at the start of the period. The actual return on assets for the period ended 29 December 2018 was gain of £44,810,000 (2017: £132,308,000).

24. Pension and deferred cash promise commitments (continued)

The amounts recognised in the income statement are as follows:

	29 December 2018 £000	30 December 2017 £000
Operating income		
Current service cost	**16,072**	16,679
Past service cost	**6,732**	-
Curtailments gain	**(1,647)**	-
Total	**21,157**	16,679
Net interest income/(expense) on post employment benefits		
Expected return on pension plan/promise assets	**37,195**	36,873
Interest on pension plan/promise liabilities	**(36,284)**	(37,536)
	911	(663)
Statement of comprehensive income (OCI)		
Actual return less expected return on pension plan/promise assets	**7,614**	95,435
Reallocation of liabilities from cessation of sponsoring employer	**11,665**	-
Re-measurement of the present value of the pension plan/promise liabilities	**33,130**	(42,798)
Net transfers	**2,082**	-
Actuarial gain recognised in other comprehensive income	**54,491**	52,637

The "Other finance income/(expense)" disclosure has been re-presented in the current year disclosure as "Net interest income/(expense) on post employment benefits". To aid comparability, the comparatives have also been re-presented.

From 1 January 2018, a change in cost allocation method was introduced which resulted in an amendment of allocation of the pension liabilities. The impact of this was a net transfer out of obligations recognised in other comprehensive income of £2,590,000.

24. Pension and deferred cash promise commitments (continued)

Reconciliation of net pension asset/(liabilities) were as follows:

	29 December 2018 £000	30 December 2017 £000
Opening defined benefit asset/(liability)	**16,392**	(45,197)
Transfers in	**(1,998)**	-
Transfers out	**4,080**	-
Reallocation of assets from cessation of sponsoring employer	**11,665**	-
Current service cost	**(16,072)**	(16,679)
Past service cost	**(6,732)**	-
Curtailment gain	**1,647**	-
Contribution paid during the period	**30,028**	26,248
Net interest income/(expense) on post employment benefit	**912**	(663)
Benefit paid during the period	**2,775**	46
Actuarial gain	**40,744**	52,637
Closing defined benefit asset	**83,441**	16,392

24. Pension and deferred cash promise commitments (continued)

The U.K. defined benefit scheme where benefits are based on final salary is closed to new members. As a result, under the projected unit method the current service cost for the existing members of the scheme will increase as members approach retirement.

On 26 October 2018, the High Court ruled on an issue that affects members of defined benefit pension schemes who were opted-out of the State Earnings Related Pension Scheme (SERPS) in the 1990s (known as being 'contracted-out'). Following this, the company has recognised an additional liability from Guaranteed Minimum Pensions (GMP) equalisation of £5,930,000 through the income statement in the financial period.

On 27 December 2018, a sponsoring employer on the defined benefit pension scheme and deferred cash promise commitments, Mars Drinks UK Limited, was sold. As a result, the pension related assets and liabilities were reallocated to the remaining sponsoring employers. A curtailment gain of £1,647,000 was also recognised.

The principal assumptions used in the actuarial valuation were:

	29 December 2018 %	30 December 2017 %
Discount rate	**2.70**	2.40
Future salary increases	**3.70-3.70**	3.70 - 7.00
Future pension increases	**1.90-3.00**	0.00 -3.10
Inflation assumption	**2.20-3.20**	1.75 -3.30
Mortality rates		
Longevity at age 65 for current pensioners:		
Men	**22.5**	23.0
Women	**24.4**	25.1
Longevity at age 65 for future pensioners:		
Men	**22.9**	23.4
Women	**24.8**	25.5

Defined contribution pension plan

The company operates a defined contribution plan, The Associates Savings Plan ("ASP"). The ASP pension charge for the period was £1,161,000 (2017: £833,000).

25. Commitments under operating leases.

The Company had future minimum lease payments under non-cancellable operating leases as follows:

	29 December 2018 £000	30 December 2017 £000
Not later than 1 year	**9,838**	12,208
Later than 1 year and not later than 5 years	**29,511**	10,373
Later than 5 years	**5,352**	171
	44,701	22,752

26. Post balance sheet events

On 30 December 2018 the Company acquired the Trade and Assets of the group's James Wellbeloved brand from Crown Pet Foods Limited for book value.

27. Controlling party

The company's ultimate parent undertaking and controlling party is Mars, Incorporated (the largest group to consolidate), 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 Wrigley International Holding Company (the smallest group to consolidate) and is included in the consolidated financial statements of that company, a copy of which will be submitted alongside these financial statements and may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. Wrigley International Holding Company's registered office is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States.

WRIGLEY INTERNATIONAL HOLDING COMPANY

Consolidated Financial Statements

As of December 29, 2018 and December 30, 2017

Together with Report of Independent Auditors

pwc

Report of Independent Auditors

To the Board of Directors of Wrigley International Holding Company:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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

Emphasis of Matter

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

PricewaterhouseCoopers LLP

August 23, 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation, Organization and Reorganization

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

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

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

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

Use of Estimates

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

Recent Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign Currency Translation

The Company uses the current rate method of translating foreign currency financial statements, except for countries deemed to be highly inflationary for which a combination of current and historical exchange rates are used and any translation adjustments are included in net income. Gains and losses on translation of equity interests in subsidiaries outside the United States of America ("U.S.") and intercompany notes of a long-term investment nature are reported in accumulated other comprehensive loss, net of tax, within stockholders' investment on the Consolidated Balance Sheets.

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

Cash and Cash Equivalents

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

Cash Flows

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

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

Revenue Recognition

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

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

Investments

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

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

Accounts Receivable

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

Inventories

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

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

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

Property, Plant and Equipment

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

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

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

Impairment Evaluation of Long-Lived Assets

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

Intangible Assets

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

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

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

Goodwill

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

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

Pension Benefit Costs

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

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

Software Costs

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

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

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

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

Advertising Costs

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

Research and Development

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

Distribution Costs

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

Derivatives

All derivative financial instruments are reported on the Consolidated Balance Sheets at fair value. Changes in fair value are recognized either in net income or other comprehensive income, depending on whether the derivative is designated as a hedge, the nature of the underlying exposure being hedged, and how effective the derivative is at offsetting price movements in the underlying exposure. Derivatives are used solely for risk management purposes and are either designated as hedges or used as economic hedges. See Note 8, Financial instruments, for additional information.

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

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

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

Income Taxes

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

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

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

Fair Value

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

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

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

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

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

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

Loans due from and payable to related parties

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

(2) ACQUISITIONS AND DIVESTITURES

Preferred Brands International Inc.

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

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

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

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

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

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

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

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

Divestitures

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

(3) INVESTMENT IN MARS RUSSIA

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

(4) INVESTMENTS

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

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

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

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

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

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

	Fair value	Unrealized loss
Equity	$ 6,561	$ 271

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

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

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

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

	Fair value	Unrealized loss
Other	$ 18,101	$ 823

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

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

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

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

(5) PENSION AND OTHER POSTRETIREMENT PLANS

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

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

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

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

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

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

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

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

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

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

Weighted-average assumptions to determine benefit obligations:		
Discount rate	2.47%	3.63%
Rate of increase in future compensation levels	3.52%	N/A

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

	Pension plans	Other postretirement benefit plans
Accumulated benefit obligation	$ 3,781,235	N/A
Fair value of plan assets	1,804,674	N/A
Weighted-average assumptions to determine benefit obligations:		
Discount rate	2.36%	3.62%
Rate of increase in future compensation levels	3.55%	N/A

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

	Pension plans	Other postretirement benefit plans
Net periodic benefit cost	$ 66,500	$ (1,231)
Employer contribution	373,998	1,017
Participant contributions	528	—
Benefits paid	373,391	1,017
Weighted-average assumptions to determine net periodic benefit cost:		
Discount rate	2.36%	3.62%
Expected long-term rate of return on plan assets	7.31%	N/A
Rate of increase in future compensation levels	3.55%	N/A

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

	Pension plans	Other postretirement benefit plans
Net periodic benefit cost	$ 139,024	$ (1,336)
Employer contribution	224,018	923
Participant contributions	486	—
Benefits paid	338,842	923
Weighted-average assumptions to determine net periodic benefit cost:		
Discount rate	2.44%	3.75%
Expected long-term rate of return on plan assets	7.38%	N/A
Rate of increase in future compensation levels	3.61%	N/A

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

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

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

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

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

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

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

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

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

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

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

<u>Plan Assets</u>

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

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

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

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

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

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

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

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

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

Assets at fair value included in the fair value hierarchy	Level 1	Level 2	Level 3 (g)	Total
Equity securities (a)	$ 1,179,017	$ —	$ —	$ 1,179,017
Government debt securities (b)	107,179	948,038	—	1,055,217
Corporate debt securities (b)	180,703	1,353,429	—	1,534,132
Real estate (c)	56,964	—	—	56,964
Hedge funds (d)	23,863	—	—	23,863
Private equity (e)	34,674	—	—	34,674
Cash and cash equivalents	486,629	—	—	486,629
Other (f)	32,469	56,157	12	88,638
	$ 2,101,498	$ 2,357,624	$ 12	$ 4,459,134
Investments measured at NAV as a practical expedient for fair value				
Equity securities (a)				$ 2,124,045
Government debt securities (b)				407,717
Corporate debt securities (b)				272,912
Real estate (c)				602,950
Hedge funds (d)				1,388,302
Private equity (e)				914,813
Investments measured at NAV				5,710,739
Contributions made after measurement date				—
Non-U.S. pension plan assets at fair value as of December 30, 2017				$ 10,169,873

(a) For investments measured at fair value, this asset category is principally actively managed and consists of large cap and small cap equities. For investments valued using NAV per share as a practical expedient, this asset category class is principally comprised of commingled funds. Risk is comprised of both equity market risk and risk associated with active manager decisions.

(b) For investments measured at fair value, this asset category is principally comprised of publicly traded sovereign debt, corporate credit, asset-backed securities and mortgage-backed securities. Most exposures are actively managed. Sovereign (government) debt is concentrated in both the developed and emerging markets. Sovereign debt exposure, from time to time, may be held in derivative form. Corporate credit is concentrated in investment-grade securities, with some exposure to high yield categories. Asset-backed and mortgage-backed securities are principally standard investment grade securities. A number of European Plans also hold small allocations to non-publicly traded credit instruments. For investments valued using NAV per share as a practical expedient, this asset category is principally comprised of fixed income securities and commingled funds.

(c) For investments measured at fair value, this asset category is principally comprised of global property securities with quoted market prices. For investments valued using NAV per share as a practical expedient, this asset category consists predominantly of directly held, income producing, properties in the U.K. The U.K. properties, which have been invested on behalf of the U.K. and Dutch Plans, are managed with a value orientation and a focus on cash generation. The U.K. properties are currently concentrated within the retail sectors. The directly held properties for the U.K. and Dutch Plans are valued through independent third party appraisals.

(d) For investments measured at fair value, this asset category is principally comprised of pooled funds with quoted market prices. For investments valued using NAV per share as a practical expedient, this asset category is comprised of broadly diversified strategies such as hedge funds and multi-asset strategy funds combined in portfolios structured to, under most circumstances, deliver low NAV volatility while delivering returns in line with fund objectives. Hedge fund NAVs are determined by the fund managers and are not publicly available while multi-asset strategy fund NAVs are often publicly available. NAVs are generally determined, depending on the underlying portfolio positions, through a combination of quoted market prices, market comparable data and model driven approaches.

(e) For investments measured at fair value, this asset category is principally comprised of pooled funds with quoted market prices. For investments valued using NAV per share as a practical expedient, this asset category consists of investments in limited partnerships with holdings in leveraged buy-outs ("LBOs"), venture capital and co-investments. LBOs comprise the majority of investments at approximately 60% of holdings with the remainder split evenly between venture capital and co-investments. While the portfolio of limited partnership investments is globally diversified, it is also primarily US-based. Partnership valuations are determined by the limited partnerships' general partners based on the valuation of underlying investments and are determined taking the following inputs into consideration: cost, discounted cash flows, and market-based comparable data.

(f) For investments measured at fair value, this asset category is comprised primarily of derivative financial instruments, principally futures contracts, for risk management purposes, interest rate swaps for interest rate hedging purposes, and forward currency contracts. Forward and futures contracts are carried at fair value based on closing exchange quotations. Interest rate swaps are carried at their market-to-market value. For investments valued using the NAV per share practical expedient, this asset category is comprised primarily of commingled funds that focus on distressed credits and equities, recapitalization opportunities, and dislocations arising from specific events and forced-selling situations.

(g) The activity for the Level 3 assets is not significant for all years presented.

Cash Flows

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

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

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

Defined Contribution Plans

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

(6) DEBT AND BORROWING ARRANGEMENTS

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

Debt Maturities and Capitalized Interest

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

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

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

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

(7) INCOME TAXES

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Economic Hedges

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

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

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

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

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

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

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

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

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

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

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

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

(9) PROPERTY, PLANT AND EQUIPMENT, NET

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

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

(10) GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

(11) RESTRUCTURING

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

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

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

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

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

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

(12) COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

(13) RELATED PARTIES

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

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

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

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

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

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

Credit facilities

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

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

(14) ACCUMULATED OTHER COMPREHENSIVE LOSS

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

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

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

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

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

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

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

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

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

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

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

(15) SUBSEQUENT EVENTS

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