

Registered number: 06649984

Mars Petcare UK

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

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Mars Petcare UK

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Mars Petcare UK

**STRATEGIC REPORT
FOR THE PERIOD ENDED 28 DECEMBER 2019**

The directors present their Strategic Report for the period ended 28 December 2019. The results represent the 52 week period ended 28 December 2019, and the comparatives represent the 52 week period ended 29 December 2018.

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 £65,134,000 (2018: £58,721,000). As at 28 December 2019 the Company had net assets of £315,763,000 (2018: £327,986,000).

Dividends of £nil (2018: £nil) have been proposed and paid to holders of the ordinary shares, this represents £nil (2018: £nil) per share. No final dividend has been proposed (2018: £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.

Mars Petcare UK

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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.
- the potential impact of Brexit through the transition period and arising from the eventual terms on which the United Kingdom may withdraw from the European Union. With the United Kingdom leaving the European Union on 31 January 2020, the directors are continuing to monitor the impact on the Company of Brexit through the transition period 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 wider economy. The directors have assessed 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,
- the impact of Covid-19 should the disruption continue affect to the UK economy, the manufacturing or distribution of the Company. Demand for the companies products has not been adversely affected by Covid-19. The Company's management continues to manage the day to day business operations to safeguard employees, to minimise any disruption to our manufacturing and distribution processes and to manage the Company's risks and uncertainties. The directors believe that recent levels of profitability will be maintained.

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:

	28 December 2019	29 December 2018
	£'000	£'000
Turnover	575,963	523,107
Profit before taxation	80,687	72,047
Gross profit margin (%)	28	27
Operating profit margin (%)	14	14

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

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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.

Cashflow

Management regularly review cash expectations and actual cash performance against forecasts.

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.

Mars Petcare UK

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 DECEMBER 2019

This report was approved by the board on 15 October 2020 and signed on its behalf.

I. J. Langer

I Langer
Director

Mars Petcare UK

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 28 DECEMBER 2019**

The directors present their report and the financial statements for the period ended 28 December 2019. The results represent the 52 week period ended 28 December 2019, and the comparatives represent the 52 week period ended 29 December 2018.

Directors' responsibilities statement

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

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 FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the period, after taxation, amounted to £65,134,000 (2018: 58,721,000).

As at 28 December 2019, the Company had net assets of £315,763,000 (2018: £327,986,000).

Dividends of £nil (2018: £nil) have been proposed and paid to holders of the ordinary shares, this represents £nil (2018: £nil) per share. No final dividend has been proposed (2018: £nil).

Directors

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

D Watkins
I Langer
D Haines (resigned 14 August 2019)
A Parton
H Selby (appointed 10 December 2019, resigned 20 March 2020)
H Kimberley (appointed 10 December 2019)
H Warren-Piper (appointed 10 December 2019)

Mars Petcare UK

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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.

Political Contributions

No political donations were made during the period (2018: £nil).

Future Developments

Details of future developments shown in the strategic report on page 2.

Financial risk management

Details of financial risk management are shown in the strategic report on page 4.

Going concern

Details of going concern are shown in the accounting policies, as shown on page 18.

Post balance sheet events

In March 2020, Covid-19 began causing significant financial market downturn and social dislocation. The situation is dynamic, and the UK government continues to implement measures to address the pandemic.

Demand for the Company's products has not been adversely affected by Covid-19. The Company's management continues to manage the day to day business operations to safeguard employees, to minimize any disruption to our manufacturing and distribution processes and to manage the Company's risks and uncertainties. The Directors believe that recent levels of profitability will be maintained.

The directors have assessed the subsequent conditions on the Statement of Financial Position as at 28 December 2019 and have determined that there is no material financial impact.

Mars Petcare UK

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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.

Suppliers, customers and others in a business relationship with the Company

The Company has many interactions with our stakeholders. Our 5 principles guide how we interact with suppliers, customers and others. We base decisions on the mutuality of benefit to our stakeholders. A mutual benefit is a shared benefit; a shared benefit will endure. Our website contains further guidance on our 5 principles.

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.

Mars Petcare UK

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 DECEMBER 2019

This report was approved by the board on 15 October 2020 and signed on its behalf.

I. J. 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 28 December 2019 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 28 December 2019; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARS PETCARE UK

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 28 December 2019 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.

Mars Petcare UK

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARS PETCARE UK

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.

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
22 October 2020

Mars Petcare UK

INCOME STATEMENT
FOR THE PERIOD ENDED 28 DECEMBER 2019

	Note	Period ended 28 December 2019 £000	Period ended 29 December 2018 £000
Turnover	4	575,963	523,107
Cost of sales		(416,281)	(383,594)
Gross profit		159,682	139,513
Distribution costs		(46,485)	(38,765)
Administrative expenses		(34,288)	(29,535)
Other operating income	5	1,228	1,354
Operating profit	8	80,137	72,567
Interest receivable and similar income	10	2,147	917
Interest payable and similar expenses	11	(1,597)	(1,437)
Profit before tax		80,687	72,047
Tax on profit	12	(15,553)	(13,326)
Profit for the financial period		65,134	58,721

All amounts relate to continuing operations.

The notes on pages 18 to 47 form part of these financial statements.

Mars Petcare UK

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 28 DECEMBER 2019**

	Note	2019 £000	2018 £000
Profit for the financial period		65,134	58,721
Other comprehensive (expense)/income			
(Loss)/gain on defined benefit schemes	24	(93,376)	54,491
Movement on deferred tax relating to pension (loss)/gain		14,898	(12,205)
Movement on current tax relating to pension (loss)/gain		1,121	3,277
Other comprehensive (expense)/income for the period		(77,357)	45,563
Total comprehensive (expense)/income for the period		(12,223)	104,284

The notes on pages 18 to 47 form part of these financial statements.

Mars Petcare UK
REGISTERED NUMBER:06649984

STATEMENT OF FINANCIAL POSITION
AS AT 28 DECEMBER 2019

	Note	28 December 2019 £000	29 December 2018 £000
Fixed assets			
Intangible assets	14	18,691	16,417
Tangible assets	15	99,667	86,479
		<u>118,358</u>	<u>102,896</u>
Current assets			
Stocks	16	39,926	33,070
Pension asset due after more than one year	24	29,555	111,658
Debtors, amounts falling due within one year	17	442,222	368,819
Cash at bank and in hand		3,522	2,212
		<u>515,225</u>	<u>515,759</u>
Creditors: amounts falling due within one year	18	(272,492)	(246,112)
Net current assets		<u>242,733</u>	<u>269,647</u>
Total assets less current liabilities		<u>361,091</u>	<u>372,543</u>
Creditors, amounts falling due after more than one year	19	(7,297)	(7)
		<u>353,794</u>	<u>372,536</u>
Provisions for liabilities			
Deferred tax	21	(1,232)	(16,333)
Pension liability	24	(36,799)	(28,217)
		<u>(38,031)</u>	<u>(44,550)</u>
Net assets		<u>315,763</u>	<u>327,986</u>
Capital and reserves			
Called up share capital	22	502	502
Retained earnings		315,261	327,484
Total Equity		<u>315,763</u>	<u>327,986</u>

Mars Petcare UK
REGISTERED NUMBER:06649984

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 28 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 October 2020.

I T. Langer

I Langer
Director

The notes on pages 18 to 47 form part of these financial statements.

Mars Petcare UK

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 28 DECEMBER 2019

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 30 December 2018	502	327,484	327,986
Comprehensive expense for the period			
Profit for the financial period	-	65,134	65,134
Loss on defined benefit scheme	-	(93,376)	(93,376)
Movement on deferred tax relating to pension losses	-	14,898	14,898
Movement on current tax relating to pension gain	-	1,121	1,121
Other comprehensive expense for the period	-	(77,357)	(77,357)
Total comprehensive expense for the period	-	(12,223)	(12,223)
At 28 December 2019	502	315,261	315,763

The notes on pages 18 to 47 form part of these financial statements

Mars Petcare UK

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 schemes	-	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
Total 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 18 to 47 form part of these financial statements.

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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 have performed an assessment to consider the forecast cashflows of the Company which incorporates the potential impact of Covid-19 and have also considered the financial health of the Company's ultimate parent undertaking Mars, Incorporated for a period of at least 12 months from the date of signing these financial statements.

The directors are of the opinion that the Company has adequate resources to meet its financial obligations as they fall due and continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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) exemption from preparing a statement of cash flows, required under FRS 102 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) disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.
- iii) the requirements of Section 33 Related Party Disclosures paragraph 33.8.
- iv) a reconciliation of the number of shares outstanding at the beginning and end of the period, paragraph 4.12(a)(iv).

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 Interest expense

Interest expense is recognised using the effective interest rate method.

2.7 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

2. Summary of significant accounting policies (continued)

2.7 Financial instruments (continued)

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

2. Summary of significant accounting policies (continued)

2.7 Financial instruments (continued)

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.

2.8 Research and development

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

2.9 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.

2.10 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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.12 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, per note 2.21.

2.13 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 per note 2.21.

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

2.14 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.

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.

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.15 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.

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

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.15 Employee benefits (continued)

the transaction.

2.16 Long-term incentives

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

2.17 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.

2.18 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.

2.19 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

2. Summary of significant accounting policies (continued)

2.20 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.

2.21 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.

2.22 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

2. Summary of significant accounting policies (continued)

2.23 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.

2.24 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.

2.25 Related party transactions

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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 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) Trade spend rebate arrangements

As part of the normal course of business, the Company has entered into rebate arrangements with customers whereby so called on invoice and off invoice (discretionary spend) promotions are applied to invoiced sales, based upon achievement of certain criteria set upon agreement. For the promotions activities not settled with customers at year end, the Company is required to make estimates of the discretionary spend achieved. Discount and promotion arrangement are customer specific; they are tailored to a specific contracts and the terms can vary greatly from customer to customer. The discretionary trade spend rebate amount accrued is calculated per customer using data from the point of sale and agreements with customers. Trade spend rebate accrual 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 level of claims received in comparison to management's best estimate. 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 regulation.

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. Whenever events or changes in circumstances indicate that the carrying amount of a fixed asset may not be fully recoverable, management review the asset for impairment. This evaluation includes comparing future discounted cash flows relating to the asset, or the appropriate grouping of assets, over the remaining life of such asset to the net book value of that asset. 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.

ii) 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 17 for the net carrying amount of the debtors and associated impairment provision.

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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

	28 December 2019 £000	29 December 2018 £000
Research and development expenditure credit	1,228	1,354
	<u>1,228</u>	<u>1,354</u>

6. Employees

Staff costs were as follows:

	28 December 2019 £000	29 December 2018 £000
Wages and salaries	58,258	51,596
Social security costs	7,251	6,886
Other pension and deferred benefit costs (note 24)	15,420	17,233
	<u>80,929</u>	<u>75,715</u>

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

	28 December 2019 No.	29 December 2018 No.
Production	507	450
Selling and distribution	222	169
Administration	383	408
	<u>1,112</u>	<u>1,027</u>

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

7. Directors' remuneration

	28 December 2019 £000	29 December 2018 £000
Directors' emoluments	948	1,046
	948	1,046

The highest paid director received remuneration of £549,000 (2018: £669,000)

The value of defined benefit pension scheme accrued pension in respect of the highest paid director amounted to £161,000 (2018: £145,000).

Retirement benefits are accruing to 4 directors (2018: 4) under the group's defined benefit schemes.

8. Operating profit

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

	28 December 2019 £000	29 December 2018 £000
Amortisation of intangible assets	1,634	508
Impairment of stock	537	731
Depreciation of tangible assets	14,191	12,452
Loss on disposal of fixed assets	127	13
Hire of plant and machinery under operating leases	175	162
Research and development	2,704	3,175
Rental of properties under operating leases	7,620	12,509
Stock recognised as an expense	393,924	353,462
Impairment of trade receivables	(29)	(25)
Derivative financial instrument (gain)	(140)	(297)

The research and development costs incurred by the Company, before recharges made to other group companies, were £26,752,000 (2018: £28,081,000).

Research and development activities include the research and development of products, packaging and manufacturing methods

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

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

9. Auditors' remuneration

	28 December 2019 £000	29 December 2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	174	143
	<u>174</u>	<u>143</u>
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	456	315
All other services	45	95
	<u>501</u>	<u>410</u>

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

	28 December 2019 £000	29 December 2018 £000
Net interest income on post employment benefits	2,111	911
Other interest receivable	36	6
	<u>2,147</u>	<u>917</u>

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

11. Interest payable and similar expenses

	28 December 2019 £000	29 December 2018 £000
Bank interest payable	4	-
Loans from group undertakings	1,593	1,437
	<u>1,597</u>	<u>1,437</u>

12. Tax on profit

	28 December 2019 £000	29 December 2018 £000
Tax included within the income statement		
Current tax on profits for the period	16,537	16,258
Adjustments in respect of previous periods	(809)	(1,345)
	<u>15,728</u>	<u>14,913</u>
Total current tax	<u>15,728</u>	<u>14,913</u>
Deferred tax		
Origination and reversal of timing differences	(381)	(1,896)
Effect of change in tax rate	43	200
Adjustments in respect of prior periods	163	109
Total deferred tax	<u>(175)</u>	<u>(1,587)</u>
Taxation on profit	<u>15,553</u>	<u>13,326</u>

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

12. Tax on profit (continued)

Factors affecting tax charge for the period

The tax assessed for the period is the same as (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	28 December 2019 £000	29 December 2018 £000
Profit on ordinary activities before tax	80,687	72,047
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	15,330	13,689
Effects of:		
Adjustments in respect of prior periods	(652)	(1,236)
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	832	673
Permanent differences	43	200
Total tax charge for the period	15,553	13,326

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Subsequent to this Finance Bill, at budget 2020, the UK government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%.

This tax rate had not been enacted at the balance sheet date and as a consequence the tax rate of 17% has been used for the purposes of deferred tax calculations. The difference between tax rates enacted at year end of 17% and the rates subsequently enacted as part of the Finance Bill 2020 is not deemed to be material to the Company.

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

13. Business Combination

Mars Petcare UK acquired the trade and assets of the group's James Wellbeloved brand from Crown Pet Foods limited on 30 December 2018 for the book value of £19,161,000

	28 December 2019 £000
Tangible	10,973
Intangible	3,405
Stocks	4,975
Prepayments	157
Provisions	(367)
Deferred tax	18
Total identifiable net assets	19,161

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

14. Intangible assets

	Software £000	Intellectual Property £000	Goodwill £000	Total £000
Cost				
At 30 December 2018	2,889	-	17,419	20,308
Additions	503	3,405	-	3,908
At 28 December 2019	<u>3,392</u>	<u>3,405</u>	<u>17,419</u>	<u>24,216</u>
Accumulated Amortisation				
At 30 December 2018	2,498	-	1,393	3,891
Charge for the year	151	1,135	348	1,634
At 28 December 2019	<u>2,649</u>	<u>1,135</u>	<u>1,741</u>	<u>5,525</u>
Net book value				
At 28 December 2019	<u>743</u>	<u>2,270</u>	<u>15,678</u>	<u>18,691</u>
At 29 December 2018	<u>391</u>	<u>-</u>	<u>16,026</u>	<u>16,417</u>

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

15. Tangible assets

	Freehold land & property £000	Plant & machinery £000	Capital work in progress £000	Total £000
Cost or valuation				
At 30 December 2018	78,462	96,723	12,348	187,533
Additions	7,138	7,364	13,004	27,506
Disposals	-	(144)	-	(144)
Transfers between classes	884	11,786	(12,670)	-
At 28 December 2019	86,484	115,729	12,682	214,895
Accumulated Depreciation				
At 30 December 2018	38,691	62,363	-	101,054
Charge for the period on owned assets	5,161	9,030	-	14,191
Disposals	-	(17)	-	(17)
At 28 December 2019	43,852	71,376	-	115,228
Net book value				
At 28 December 2019	42,632	44,353	12,682	99,667
At 29 December 2018	39,771	34,360	12,348	86,479

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

16. Stocks

	28 December 2019 £000	29 December 2018 £000
Raw materials and consumables	8,898	4,801
Finished goods and goods for resale	31,028	28,269
	<u>39,926</u>	<u>33,070</u>

Stocks are stated after provisions for impairment of £1,208,000 (2018: £1,056,000).

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

17. Debtors: Amounts falling due within one year

	28 December 2019 £000	29 December 2018 £000
Trade debtors	29,428	22,249
Amounts owed by group undertakings	410,569	345,215
Other debtors	94	175
Prepayments and accrued income	1,542	853
Derivative financial instrument (note 19)	589	327
	<u>442,222</u>	<u>368,819</u>

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 £1,233,000 (2018: £448,000).

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

18. Creditors: Amounts falling due within one year

	28 December 2019 £000	29 December 2018 £000
Trade creditors	67,412	63,223
Amounts owed to group undertakings	122,728	107,011
Corporation tax	6,864	6,399
Other taxation and social security	15,644	14,992
Other creditors	2,747	1,697
Accruals and deferred income	56,450	52,528
Derivative financial instrument (note 19)	647	262
	<u>272,492</u>	<u>246,112</u>

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

	28 December 2019 £000	29 December 2018 £000
Other creditors	7,297	7
	<u>7,297</u>	<u>7</u>

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

20. Financial instruments

	28 December 2019 £000	29 December 2018 £000
Financial assets		
Financial assets measured at fair value through income statement:		
Derivative financial instrument	589	327
Financial assets measured at amortised cost:		
Cash at bank and in hand	3,522	2,212
Trade debtors	29,428	22,249
Other debtors	94	175
Amounts owed by group companies	410,569	345,215
	<u>444,202</u>	<u>370,178</u>
Financial liabilities		
Financial liabilities measured at fair value through income statement:		
Derivative financial instruments	647	262
Financial liabilities measured at amortised cost:		
Trade creditors	67,412	63,223
Amounts owed to group companies	122,728	107,011
	<u>190,787</u>	<u>170,496</u>

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 28 December 2019, these contracts mature within 12 months (2018: 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 28 December 2019, the fair value of foreign exchange forward contracts held are an asset position of £589,000 (2018: £327,000) and a liability position of £647,000 (2018: £262,000).

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

21. Deferred Taxation

	28 December 2019 £000	29 December 2018 £000
At the beginning of period	(16,333)	(5,715)
Credit to income statement	175	1,587
Acquired deferred tax	28	-
Charge to other comprehensive income	14,898	(12,205)
At end of period	(1,232)	(16,333)

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

	28 December 2019 £000	29 December 2018 £000
Accelerated capital allowances	(3,643)	(3,708)
Defined benefit plan (surplus)/deficit	1,230	(14,187)
Other timing differences	1,181	1,562
	(1,232)	(16,333)

22. Called up share capital

	28 December 2019 £000	29 December 2018 £000
Authorised, allotted, called up and fully paid		
502,001 (2018 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.

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

23. Capital commitments

At 28 December 2019 the Company had capital commitments as follows:

	28 December 2019 £000	29 December 2018 £000
Contracted for but not provided in these financial statements - tangible assets	6,628	1,843
	<u>6,628</u>	<u>1,843</u>

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

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 29 December 2018 and have been updated to 28 December 2019 by independent qualified actuaries in accordance with FRS1 02.

	28 December 2019 £000	29 December 2018 £000
Reconciliation of present value of plan liabilities		
At the beginning of the period	1,690,901	1,547,642
Transfers in	-	1,998
Transfers out	(6,514)	(4,080)
Reallocation of liability from cessation of sponsoring employer	-	173,695
Current service cost	13,871	16,072
Past service (income)/cost	(481)	6,732
Curtailment gain	-	(1,647)
Interest cost	39,498	36,284
Benefits paid	(51,107)	(52,665)
Actuarial loss/(gain) on liabilities	9,464	(33,130)
At the end of the year	1,695,632	1,690,901

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

24. Pension and deferred cash promise commitments (continued)

Reconciliation of present value of plan assets:

	28 December 2019 £000	29 December 2018 £000
At the beginning of the period	1,774,342	1,564,034
Actuarial (losses)/gains	(83,912)	7,614
Contributions	13,515	30,028
Benefits paid	(50,651)	(49,890)
Reallocation of assets from cessation of sponsoring employer	-	185,360
Expected return on assets	41,609	37,196
Transfers out	(6,514)	-
At the end of the year	<u>1,688,389</u>	<u>1,774,342</u>

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

24. Pension and deferred cash promise commitments (continued)

Composition of plan assets:

	28 December 2019 £000	29 December 2018 £000
Equities	470,875	467,539
Bonds	540,284	604,873
Property	104,748	114,977
Other	572,482	586,953
Total plan assets	1,688,389	1,774,342

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

	28 December 2019 £000	29 December 2018 £000
Fair value of plan assets	1,688,389	1,774,342
Present value of plan liabilities	(1,695,632)	(1,690,901)
Net pension scheme liability	(7,243)	83,441

The net pension scheme liabilities of £7,243,000 (2018: asset £83,441,000) is reflected in the statement of financial position in current assets under Pension asset due after more than one year of £29,555,000 (2018: £111,658,000) and in provision for liabilities of £36,799,000 (2018: £28,217,000).

The closing plan/promise obligation includes an asset relating to a funded, self-administered, defined benefit pension plan of £29,555,000 (2018 asset: £111,658,000), obligations relating to self-administered deferred cash promises of £22,964,000 (2018: £16,210,000) and obligations relating to certain associates who have joined the UK business of £13,834,000 (2018: £12,007,000).

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 28 December 2019 was loss of £42,303,000 (2018: gain £44,810,000).

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

24. Pension and deferred cash promise commitments (continued)

The amounts recognised in the income statement are as follows:

	28 December 2019 £000	29 December 2018 £000
Current service cost	13,871	16,072
Past service cost	(481)	6,732
Curtailments gain	-	(1,647)
Total	13,390	21,157
Net interest income on post employment benefits		
Expected return on pension plan/promise assets	41,609	37,195
Interest on pension plan/promise liabilities	(39,498)	(36,284)
	2,111	911
Statement of comprehensive income (OCI)		
Actual return less expected return on pension plan/promise assets	(83,912)	7,614
Reallocation of assets from cessation of sponsoring employer	-	11,665
Re-measurement of the present value of the pension plan/promise liabilities	(9,464)	33,130
Net transfers	-	2,082
Actuarial (loss)/gain recognised in other comprehensive (expense)/income	(93,376)	54,491

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.

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

24. Pension and deferred cash promise commitments (continued)

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

	28 December 2019 £000	29 December 2018 £000
Opening defined benefit asset/(liability)	83,441	16,392
Transfers in	-	(1,998)
Transfers out	-	4,080
Reallocation of assets from cessation of sponsoring employer	-	11,665
Current service cost	(13,871)	(16,072)
Past service cost	481	(6,732)
Curtailment gain	-	1,647
Contribution paid during the period	13,515	30,028
Net interest income on post employment benefit	456	912
Benefit paid during the period	2,111	2,775
Actuarial (losses)/gain	(93,376)	40,744
Closing defined benefit (liability)/obligation	<u>(7,243)</u>	<u>83,441</u>

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 comparative 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 in the comparative financial period.

The principal assumptions used in the actuarial valuation were:

Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019**

24. Pension and deferred cash promise commitments (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	28 December 2019 %	29 December 2018 %
Discount rate	1.9	2.70
Future salary increases	3.70-7.00	3.70-3.70
Future pension increases	1.80-2.80	1.90-3.00
Inflation assumption	1.75-3.00	2.20-3.20
Mortality rates		
Longevity at age 65 for current pensioners:		
Men	22.6	22.5
Women	24.5	24.4
Longevity at age 65 for future pensioners:		
Men	23.0	22.9
Women	<u>24.9</u>	<u>24.8</u>

Defined contribution pension plan

The Company operates a defined contribution plan, The Associates Savings Plan ("ASP"). The ASP pension charge for the period was £1,549,000 (2018: £1,161,000).

Mars Petcare UK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2019

25. Commitments under operating leases.

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

	28 December 2019 £000	29 December 2018 £000
Not later than 1 year	9,607	9,838
Later than 1 year and not later than 5 years	15,170	29,511
Later than 5 years	1,264	5,352
	<u>26,041</u>	<u>44,701</u>

26. 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.

27. Post balance sheet events

In March 2020, Covid-19 began causing significant financial market downturn and social dislocation. The situation is dynamic, and the UK government continues to implement measures to address the pandemic.

Demand for the Companies products has not been adversely affected by Covid-19. The Company's management continues to manage the day to day business operations to safeguard employees, to minimize any disruption to our manufacturing and distribution processes and to manage the Company's risks and uncertainties. The Directors believe that recent levels of profitability will be maintained.

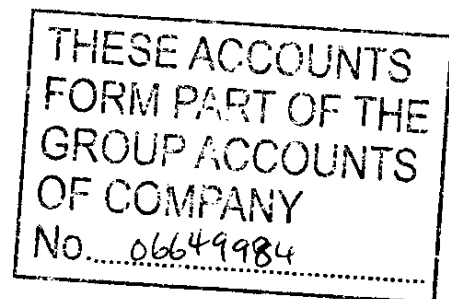
The directors have assessed the subsequent conditions on the Statement of Financial Position as at 28 December 2019 and have determined that there is no material financial impact.

WRIGLEY INTERNATIONAL HOLDING COMPANY

Consolidated Financial Statements

As of December 28, 2019 and December 29, 2018

Together with Report of Independent Auditors





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 28, 2019 and December 29, 2018, 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 28, 2019 and December 29, 2018, 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

June 19, 2020

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WRIGLEY INTERNATIONAL HOLDING COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 28, 2019 AND DECEMBER 29, 2018
USD in thousands

	2019	2018
Net sales	\$ 17,201,811	\$ 17,301,729
Cost of sales	10,359,929	10,231,339
	<u>6,841,882</u>	<u>7,070,390</u>
Selling, general and administrative expense	4,716,787	4,572,758
Amortization of intangible assets	37,013	250,192
Income from operations	<u>2,088,082</u>	<u>2,247,440</u>
Interest expense	37,004	18,452
Interest income from Mars, net	(199,792)	(102,718)
Investment income, net	(123,896)	(38,935)
Foreign exchange loss, net	14,650	3,896
Loss (gain) on sale of businesses, net	1,775	(127,230)
Non-operating pension and postretirement benefit income, net	(238,104)	(162,015)
Earnings from equity investment	(70,697)	(79,689)
Income before provision for taxes	<u>2,667,142</u>	<u>2,735,679</u>
Provision for income taxes	788,998	873,283
Net income	<u>1,878,144</u>	<u>1,862,396</u>
Net income attributable to noncontrolling interests	2,390	3,770
Net income attributable to Wrigley International Holding Company	<u>\$ 1,875,754</u>	<u>\$ 1,858,626</u>

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 28, 2019 AND DECEMBER 29, 2018
USD in thousands

	<u>2019</u>	<u>2018</u>
Net income	\$ 1,878,144	\$ 1,862,396
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	117,960	(1,100,050)
Net unrealized change on investments	2,921	(57,613)
Net change in pension and other postretirement benefits	(746,619)	194,611
Total comprehensive income	<u>1,252,406</u>	<u>899,344</u>
Comprehensive income attributable to noncontrolling interests	<u>47</u>	<u>3,659</u>
Comprehensive income attributable to Wrigley International Holding Company	<u>\$ 1,252,359</u>	<u>\$ 895,685</u>

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 28, 2019 AND DECEMBER 29, 2018
USD in thousands

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,878,144	\$ 1,862,396
Adjustments to reconcile net income to net cash provided by operating activities, net of the impact of acquisitions and divestitures:		
Depreciation and amortization	588,871	700,959
Foreign exchange loss, net	14,650	3,896
Loss (gain) on sale of businesses, net	1,775	(127,230)
Gain on investments	(89,196)	(14,583)
Deferred income taxes	(3,128)	34,731
Earnings from equity investment	(70,697)	(79,689)
Changes in current assets and liabilities:		
Changes in accounts receivable	54,084	(157,077)
Changes in inventories	(77,813)	(149,957)
Changes in accounts payable and accrued liabilities	172,887	405,782
Changes in income taxes receivable and payable	45,391	147,999
Changes in other current assets and liabilities	(35,820)	(12)
Changes in other noncurrent associate benefit assets and liabilities	(190,315)	(336,009)
Changes in other noncurrent assets and liabilities	3,536	13,328
Net cash provided by operating activities	<u>2,292,369</u>	<u>2,304,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(601,366)	(683,294)
Purchases of investments	(10,152)	(8,305)
Sales of investments	26,193	130,766
Acquisition of business	(299,664)	—
Proceeds from sale of business	—	108,460
Investment in unconsolidated entity	(199,079)	—
Other	9,443	9,309
Net cash used in investing activities	<u>(1,074,625)</u>	<u>(443,064)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	(955)	(725)
Dividends paid	(184,832)	(67,597)
Net transfers to Mars	(972,121)	(2,906,878)
Other short-term financing activities	(97,886)	98,293
Net cash used in financing activities	<u>(1,255,794)</u>	<u>(2,876,907)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>126,206</u>	<u>(24,242)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	88,156	(1,039,679)
Cash, cash equivalents, and restricted cash at beginning of year	1,199,700	2,239,379
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,287,856</u>	<u>\$ 1,199,700</u>

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

WRIGLEY INTERNATIONAL HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 28, 2019 AND DECEMBER 29, 2018
USD in thousands, except par value and shares

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,287,856	\$ 1,199,700
Investments	519,621	456,016
Due from Mars, net	8,694,065	9,494,847
Accounts receivable, net of allowances of \$27,871 and \$27,299	710,992	764,167
Inventories	1,411,162	1,317,371
Income taxes receivable	99,268	87,733
Prepaid expenses and other	285,888	215,281
Total current assets	<u>13,008,852</u>	<u>13,535,115</u>
Property, plant and equipment, net	3,382,437	3,378,857
Prepaid associate benefit assets	119,229	429,979
Goodwill	5,933,493	5,769,399
Intangible assets, net	651,112	580,767
Deferred income taxes	905,442	813,941
Other assets	1,091,798	766,610
TOTAL ASSETS	<u><u>\$ 25,092,363</u></u>	<u><u>\$ 25,274,668</u></u>
LIABILITIES		
Due to banks	9,069	106,237
Current installments on long-term debt	968	963
Current portion of accrued associate benefits	26,605	21,757
Accounts payable and accrued liabilities	4,874,365	4,715,841
Income taxes payable	157,451	161,810
Total current liabilities	<u>5,068,458</u>	<u>5,006,608</u>
Long-term debt, less current installments	3,001	3,946
Accrued associate benefits	2,666,132	2,323,081
Deferred income taxes	87,916	148,549
Other liabilities	653,512	537,021
TOTAL LIABILITIES	<u>8,479,019</u>	<u>8,019,205</u>
STOCKHOLDERS' INVESTMENT		
Common stock, par value \$0.01 per share; 106 shares authorized, issued and outstanding	—	—
Additional paid-in capital	17,600,884	17,498,825
Retained earnings	6,255,021	6,328,773
Accumulated other comprehensive loss	(7,343,095)	(6,618,480)
TOTAL WRIGLEY INTERNATIONAL HOLDING COMPANY STOCKHOLDERS' INVESTMENT	<u>16,512,810</u>	<u>17,209,118</u>
Noncontrolling interests	100,534	46,345
TOTAL STOCKHOLDERS' INVESTMENT	<u>16,613,344</u>	<u>17,255,463</u>
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	<u><u>\$ 25,092,363</u></u>	<u><u>\$ 25,274,668</u></u>

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 28, 2019 AND DECEMBER 29, 2018

USD in thousands

	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Wrigley International Holding Company stockholders' investment	Noncontrolling Interests	Total Stockholders' Investment
Balance, December 30, 2017	\$ 17,083,811	\$ 4,547,322	\$ (5,655,539)	\$ 15,975,594	\$ 42,718	\$ 16,018,312
Comprehensive income (loss)	—	1,858,626	(962,941)	895,685	3,659	899,344
Affiliate investment	415,014	—	—	415,014	—	415,014
Affiliate dividends, net	—	(77,175)	—	(77,175)	—	(77,175)
Payments to noncontrolling interest and other	—	—	—	—	(32)	(32)
Balance, December 29, 2018	<u>\$ 17,498,825</u>	<u>\$ 6,328,773</u>	<u>\$ (6,618,480)</u>	<u>\$ 17,209,118</u>	<u>\$ 46,345</u>	<u>\$ 17,255,463</u>
Cumulative effect of the adoption of new accounting standards	\$ —	\$ 101,220	\$ (101,220)	\$ —	\$ —	\$ —
Comprehensive income (loss)	—	1,875,754	(623,395)	1,252,359	47	1,252,406
Affiliate investment	102,059	—	—	102,059	—	102,059
Affiliate dividends, net	—	(2,047,339)	—	(2,047,339)	—	(2,047,339)
Noncontrolling interest of acquired entity	—	—	—	—	51,623	51,623
Payments to noncontrolling interest and other	—	(3,387)	—	(3,387)	2,519	(868)
Balance, December 28, 2019	<u>\$ 17,600,884</u>	<u>\$ 6,255,021</u>	<u>\$ (7,343,095)</u>	<u>\$ 16,512,810</u>	<u>\$ 100,534</u>	<u>\$ 16,613,344</u>

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

WRIGLEY INTERNATIONAL HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 28, 2019 AND DECEMBER 29, 2018
(USD in thousands, unless otherwise noted)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

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 28, 2019 and December 29, 2018, 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, 2019.

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 28, 2019 and December 29, 2018 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

Standards Effective in the Current Year

In May 2014, the FASB issued a new accounting standard on revenue recognition. The standard establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. An entity is required 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 giving effect of the new standard from the beginning of 2019. The standard permits entities to apply one of two transition methods: full retrospective or modified retrospective. The Company elected the modified retrospective method which was applied to all contracts that were not completed as of December 29, 2018 with the cumulative effect of initially applying the standard as an adjustment to 2019 beginning retained earnings. There was no material impact to the Company for adopting the standard.

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. As a result of the adoption, the Company recorded an after-tax increase of \$101 million to beginning retained earnings for the year ended December 28, 2019 with an increase to accumulated comprehensive loss.

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 retrospective transition method. The Company adopted this standard in fiscal year 2019 and it has been applied retrospectively to 2018. There was no material impact to the Company for adopting the standard.

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. Entities are required to apply the update on a modified retrospective basis through a cumulative effect adjustment directly to retained earnings as of the beginning of the period of adoption. There was no material impact to the Company for adopting the standard.

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 Company adopted this standard in fiscal year 2019 and it has been applied retrospectively to 2018. There was no material impact to the Company for adopting the standard.

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 Company adopted this standard in fiscal year 2019 and it has been applied retrospectively to 2018, with a prospective approach taken for capitalization of service costs. The Company utilized the available practical expedient which permits the Company to use amounts previously disclosed in its pension and other postretirement plans footnote for the prior comparative periods.

As a result of the adoption, the Consolidated Statement of Income for the year ended December 29, 2018 included non-operating pension and postretirement benefit income of \$162 million which resulted in an increase of \$61 million in Cost of sales and an increase of \$101 million in Selling, general and administrative expense.

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. The Company early adopted the pronouncement in fiscal year 2019. As a result, the Company changed the method by which it assesses effectiveness for net investment hedges from the forward method to the spot method. The Company believes the spot method better matches the spot rate changes of the net investment. The adoption of this guidance did not result in a material impact to the Company's consolidated financial statements; however, the Company has expanded its disclosures of its derivative activities in Note 8, Financial Instruments.

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 updated guidance is effective for all entities for fiscal years beginning after December 15, 2018. The Company did not elect the one-time reclassification.

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. The Company adopted this standard in fiscal year 2019. The adoption did not have a material impact on the consolidated financial statements.

Standards Effective in Future Years

The Company is evaluating the impact on the consolidated financial statements for the following standards effective in future years:

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 sales 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 sales 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. In June 2020, the FASB issued a deferral of the effective date for private companies to fiscal years beginning after December 15, 2021. The standard is effective for the Company in its fiscal year-end annual 2022 consolidated financial statements; however, early adoption is permitted.

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. The standard is effective for the Company in its fiscal year-end annual 2023 consolidated financial statements.

Accounting Policies

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 (U.S. dollar or 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.

Restricted Cash

There was no restricted cash as of December 28, 2019 and December 29, 2018.

Cash Flows

Cash payments for interest were \$9 million and \$14 million for the years ended December 28, 2019 and December 29, 2018, respectively. Net cash payments for income taxes were \$752 million and \$633 million for the years ended December 28, 2019 and December 29, 2018, 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

The Company recognizes revenue when performance obligations are satisfied. The Company considers all the goods or services promised, whether explicitly stated in a contract or implied based on customary business practices, and identifies a performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. For a contract that has more than one performance obligation, the Company allocates the total consideration to each distinct performance obligation on a relative standalone selling price basis. The Company’s performance obligations generally consist of the promises to sell and deliver products to customers.

The Company generates revenue by manufacturing and selling products globally to wholesalers, distributors, retailers and consumers. The Company’s products can be classified into the following categories: confectionery, food and pet nutrition. Products within the same category exhibit similar economic characteristics, such that they are based on similar ingredients and are marketed and sold through the same channels to the same customers. Control of products is transferred upon shipment to, or receipt at, the customers’ locations, as determined by the specific terms of the contract. Control is transferred to the customer at a point in time and revenue is recognized. Amounts billed and due from the customers are classified as accounts receivable in the Consolidated Balance Sheets and require payment on a short-term basis. All performance obligations under the terms of contracts with customers have an original duration of one year or less. The Company also does not incur costs to obtain or fulfill contracts.

The terms of sales may allow for a right of return. The Company may also pay customers incentives and allowances including discounts, rebates and promotional and marketing funds. The amounts associated with the arrangements described above are defined as variable consideration. The Company recognizes allowances for variable consideration in the period when the sale is recognized. The allowances are estimated based on historical experience and other factors, including annual forecasted sales volume and customer ending inventories, and are included in net sales in the Consolidated Statements of Income. In gathering data to estimate variable consideration, the Company generally calculates the estimates using a portfolio approach at the business unit level rather than at the individual contract level. The result of making these estimates will impact the accounts receivable and accounts payable and accrued liabilities in our Consolidated Balance Sheets. Historically, the difference between actual experiences compared to estimated variable consideration has not been significant to the financial statements. Differences between estimates and actuals are recognized as a change in estimate in a subsequent period. Over 99 percent of net sales were recognized when control of the goods and services was transferred to the customers at a point in time.

Investments

Investments in debt and equity securities are reported at fair value. Changes in the fair value of equity securities are included in income while changes in the fair value of debt securities are excluded from income. Unrealized gains and losses on debt securities are included as a separate component of accumulated other comprehensive loss, net of tax. Realized gains and losses on the sales of debt securities are computed based on the specific identification method and are included in income.

Investments in debt securities 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 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. See Note 4, Investments, for additional information.

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 28, 2019 and December 29, 2018 respectively:

	2019	2018
Finished goods	\$ 1,064,317	\$ 970,704
Raw materials	346,845	346,667
	<u>\$ 1,411,162</u>	<u>\$ 1,317,371</u>

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 28, 2019 and December 29, 2018, was \$445 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	4 to 15
Patents and technology	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 28, 2019 and December 29, 2018, respectively other assets included capitalized software costs as follows:

	2019	2018
Capitalized software	\$ 238,824	\$ 182,062
Less: accumulated amortization	(123,849)	(108,289)
	<u>\$ 114,975</u>	<u>\$ 73,773</u>

Amortization expense associated with capitalized software during the years ended December 28, 2019 and December 29, 2018 was \$21 million and \$14 million, respectively.

Advertising Costs

Advertising costs are expensed in the period incurred. Advertising costs of \$739 million and \$671 million for the years ended December 28, 2019 and December 29, 2018, 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 \$210 million and \$215 million for the years ended December 28, 2019 and December 29, 2018, respectively, were included in selling, general and administrative expense.

Distribution Costs

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

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 additionally enters into cross-currency interest rate swaps as hedges of net investments in foreign operations as part of the management of its foreign currency exposures.

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

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.

Tax benefits are recognized in the financial statements from uncertain tax positions only if it is more likely than not that the tax position will be sustained based on the technical merits of the position. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon resolution. Future changes related to the expected resolution of uncertain tax positions could affect tax expense in the period when the change occurs.

Global intangible low tax 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

Goodminton AG

On September 3, 2019, the Company completed the acquisition of 85% of the outstanding common shares of Goodminton AG ("Foodspring"). Foodspring is a direct-to-consumer premium fitness food and sports nutrition company based in Berlin, Germany. This acquisition will enable Mars Edge to build a global targeted nutrition business and pioneer personalized nutrition.

The Company acquired Foodspring for \$300 million (including repayment of \$11 million in outstanding debt), net of cash acquired of \$2 million. The Company financed the transaction through cash on hand. The Company incurred acquisition-related costs of \$7 million which were included in selling, general and administrative expense in the 2019 Consolidated Statement of Income.

The earnings of Foodspring have been included in the consolidated financial statements of the Company beginning September 3, 2019. 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.

The allocation of the purchase price is preliminary and is subject to adjustments if additional information is obtained about facts that existed as of the acquisition date. The preliminary purchase price assigned to the acquired assets and assumed liabilities is summarized as follows:

Cash acquired	\$	1,930
Other current assets		26,448
Property, plant, and equipment		634
Other noncurrent assets		1,510
Intangible assets:		
Trademarks – finite-lived		78,159
Customer relationships		28,422
Other intangible assets		5,184
Goodwill		255,818
Total assets acquired		<u>398,105</u>
Total current liabilities assumed		(11,278)
Total long-term liabilities assumed		<u>(33,609)</u>
Net assets acquired		353,218
Noncontrolling interest		(51,623)
Company acquired interest	\$	<u><u>301,595</u></u>

The estimated useful lives of the identifiable finite-lived intangible assets from the acquisition include the following: trademarks, 16 years; customer relationships, 4 years; other intangible assets, 5 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 estimated sales price and the Company realized a gain of \$127 million from the sale of the business in the 2018 Consolidated Statement of Income. The Company realized a reduction of the gain of \$2 million in the 2019 Consolidated Statement of Income.

(3) EQUITY METHOD INVESTMENTS

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 \$665 million and \$614 million as of December 28, 2019 and December 29, 2018, respectively, is recorded in other assets in the Consolidated Balance Sheet.

On November 21, 2019, the Company acquired a 20% ownership interest in Ringpai Pet Hospital Management Co., Ltd ("Ringpai"). The Company acquired its interest in Ringpai for \$199 million through cash on hand and is included in other assets in the Consolidated Balance Sheets. The investment in Ringpai is an equity method investment as the Company has significant influence over Ringpai. The Company has elected the fair value option for its investment in Ringpai therefore the investment is recorded at fair value with the changes in the value recognized in investment income in the Consolidated Statements of Income. The investment in Ringpai is classified as a level 3 fair value asset.

(4) INVESTMENTS

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

	Location on the Consolidated Balance Sheet	2019	2018
Available-for-sale securities			
Corporate Debt Securities	Investments	\$ 36,908	\$ 34,732
Corporate Debt Securities	Other assets	3,993	—
Total available-for-sale securities		<u>40,901</u>	<u>34,732</u>
Equity Securities with Readily Determinable Fair Values			
Equity Securities	Investments	482,713	421,284
Equity Securities	Other Assets	<u>15,927</u>	<u>17,421</u>
Total Equity Securities with Readily Determinable Fair Values		<u>498,640</u>	<u>438,705</u>
Other long-term investments	Other assets	<u>22,381</u>	<u>19,147</u>
Total investments		<u>\$ 561,922</u>	<u>\$ 492,584</u>

Gross realized gains and losses on the sales of investments were \$13 million and \$0, respectively, for the year ended December 28, 2019 and \$14 million and \$1 million, respectively, for the year ended December 29, 2018, and have been included in investment income, net in the Consolidated Statements of Income.

Debt Securities

As of December 28, 2019, the Company's investments in available-for-sale debt securities were as follows:

	<u>Cost Basis</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Market Value</u>
Corporate Debt Securities	\$ 37,908	\$ 2,993	—	\$ 40,901

As of December 28, 2019, the Company's investments in available-for-sale debt securities of \$41 million mature between 5 and 10 years.

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

	<u>Cost Basis</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Market Value</u>
Corporate Debt Securities	\$ 34,382	\$ 350	—	\$ 34,732

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

Equity Securities

As of December 28, 2019, the carrying value of the Company's equity securities with readily determinable fair values were as follows:

	<u>Cost Basis</u>	<u>Fair Market Value</u>
Marketable Securities	\$ 312,954	\$ 491,225
Other	7,415	7,415
Total Securities	<u>\$ 320,369</u>	<u>\$ 498,640</u>

The calculation of net unrealized gains and losses recognized during the year related to equity securities still held at December 28, 2019, is as follows:

	<u>Year Ended December 28, 2019</u>
Net gains (losses) recognized during the year related to equity securities	\$ 90,355
Less: Net gains (losses) recognized during the year related to the equity securities sold during the year	<u>12,884</u>
Net unrealized gains (losses) recognized during the year related to equity securities still held at the end of the year	<u>\$ 77,471</u>

As of December 29, 2018, the carrying value of the Company's equity securities with readily determinable fair values were as follows:

	Cost Basis	Unrealized Gain	Unrealized Loss	Fair Market Value
Marketable Securities	\$ 329,986	\$ 104,614	\$ (271)	\$ 434,329
Other	4,376	—	—	4,376
Total Securities	\$ 334,362	\$ 104,614	\$ (271)	438,705

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:

Less Than 12 Months			
	Fair Value	Unrealized Loss	
Marketable Securities	\$ 6,561	\$ 271	

Investments Measured at Fair Value on a Recurring Basis

Investments measured at fair value on a recurring basis were categorized as follows at December 28, 2019:

	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ 51,668	\$ 439,557	\$ —	\$ 491,225
Corporate Debt Securities	3,993	36,908	—	40,901
Other	3,102	4,313	—	7,415
Total Investments measured at Fair Value	\$ 58,763	\$ 480,778	\$ —	\$ 539,541

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

	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ 100,592	\$ 333,737	\$ —	\$ 434,329
Corporate Debt Securities	—	34,732	—	34,732
Other	—	4,376	—	4,376
Total Investments measured at Fair Value	\$ 100,592	\$ 372,845	\$ —	\$ 473,437

(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 28, 2019 were as follows:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 13,161,772	\$ 9,506
Fair value of plan assets	10,616,326	—
Funded status	<u>\$ (2,545,446)</u>	<u>\$ (9,506)</u>
Accumulated benefit obligation	<u>\$ 12,155,163</u>	<u>N/A</u>

Weighted-average assumptions to determine benefit obligations:

Discount rate	1.68%	1.59%
Rate of increase in future compensation levels	3.48%	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 29, 2018 were as follows:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 11,542,043	\$ 14,283
Fair value of plan assets	9,646,061	—
Funded status	<u>\$ (1,895,982)</u>	<u>\$ (14,283)</u>
Accumulated benefit obligation	<u>\$ 10,853,398</u>	<u>N/A</u>

Weighted-average assumptions to determine benefit obligations:

Discount rate	2.45%	2.47%
Rate of increase in future compensation levels	3.5%	N/A

Pension and other postretirement benefit plans with obligations in excess of plan assets as of December 28, 2019 consist of the following:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 6,457,255	\$ 9,506
Fair value of plan assets	3,792,581	N/A

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

	<u>Pension plans</u>	<u>Other postretirement benefit plans</u>
Benefit obligation	\$ 4,152,224	\$ 14,283
Fair value of plan assets	1,826,263	N/A

Pension and other postretirement benefit plans with accumulated benefit obligations in excess of plan assets as of December 28, 2019 consist of the following:

	<u>Pension plans</u>	<u>Other postretirement benefit plans</u>
Accumulated benefit obligation	\$ 4,202,791	N/A
Fair value of plan assets	1,968,690	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:

	<u>Pension plans</u>	<u>Other postretirement benefit plans</u>
Accumulated benefit obligation	\$ 3,569,022	N/A
Fair value of plan assets	1,658,095	N/A

Net periodic benefit cost (income), and related assumptions, contributions and benefits paid for the year ended December 28, 2019 were as follows:

	<u>Pension plans</u>	<u>Other postretirement benefit plans</u>
Net periodic benefit income	\$ (37,781)	\$ (1,217)
Employer contributions	143,187	658
Participant contributions	994	—
Benefits paid	384,743	658
Weighted-average assumptions to determine net periodic benefit cost		
Discount rate	2.45%	2.47%
Expected long-term rate of return on plan assets	7.23%	N/A
Rate of increase in future compensation levels	3.51%	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 (income)	\$ 72,799	\$ (1,231)
Employer contributions	379,767	1,017
Participant contributions	1,030	—
Benefits paid	381,120	1,017
Weighted-average assumptions to determine net periodic benefit cost		
Discount rate	2.33%	2.41%
Expected long-term rate of return on plan assets	7.29%	N/A
Rate of increase in future compensation levels	3.54%	N/A

The components of net periodic benefit cost (income) other than the service cost component are included in the line item non-operating pension and postretirement income, net in the Consolidated Statements of Income.

During the years ended December 28, 2019 and December 29, 2018, the Company's net periodic benefit cost included losses of \$2 million, related to the settlement and curtailment of certain non-U.S. pension plan obligations.

For measurement purposes related to the other postretirement benefit plans, a 5.0% 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 28, 2019 and December 29, 2018. The healthcare cost trend rates are projected to remain constant at 5.0% in 2020 through 2048.

Amounts recognized on the Consolidated Balance Sheet as of December 28, 2019 consisted of:

	Pension plans	Other postretirement benefit plans
Prepaid associate benefit assets	\$ 119,229	\$ —
Current portion of accrued associate benefits	25,950	655
Accrued associate benefits, noncurrent	2,638,724	8,851
Accumulated other comprehensive loss:		
Net loss	(4,643,384)	(2,241)
Net prior service (cost) credit	(47,232)	1,804
Deferred income tax	1,186,394	(74)
Accumulated other comprehensive loss, net of tax	<u>\$ (3,504,222)</u>	<u>\$ (511)</u>

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

	Pension plans	Other postretirement benefit plans
Prepaid associate benefit assets	\$ 429,979	\$ —
Current portion of accrued associate benefits	20,820	937
Accrued associate benefits, noncurrent	2,305,141	13,346
Accumulated other comprehensive loss:		
Net loss	(3,706,301)	(2,170)
Net prior service (cost) credit	(53,964)	3,344
Deferred income tax	1,001,194	(217)
Accumulated other comprehensive (loss) income, net of tax	<u>\$ (2,759,071)</u>	<u>\$ 957</u>

Amounts recognized in other comprehensive income for the year ended December 28, 2019 consisted of:

	Pension plans	Other postretirement benefit plans
Reclassification to net income:		
Amortization of net loss	\$ 200,927	\$ 345
Amortization of prior service cost (credit)	6,276	(1,757)
Other movements during the year:		
Net loss	(1,138,010)	(416)
Net prior service credit	456	217
Other comprehensive loss, gross	(930,351)	(1,611)
Deferred income tax	185,200	143
Other comprehensive loss, net of tax	<u>\$ (745,151)</u>	<u>\$ (1,468)</u>

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

	Pension plans	Other postretirement benefits plans
Reclassification to net income:		
Amortization of net loss	\$ 278,112	\$ 35
Amortization of prior service cost (credit)	4,426	(1,807)
Other movements during the year:		
Net (loss) gain	(6,556)	687
Net prior service cost	(45,991)	(234)
Other comprehensive income (loss), gross	229,991	(1,319)
Deferred income tax	(33,844)	(217)
Other comprehensive income (loss), net of tax	<u>\$ 196,147</u>	<u>\$ (1,536)</u>

The estimated net loss and prior service cost for pension plans that are expected to be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2020 are \$328 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 2020 are \$0 million and \$2 million, respectively.

Plan Assets

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 28, 2019 were as follows:

Assets at fair value included in the fair value hierarchy

	Level 1	Level 2	Level 3 (g)	Total
Equity securities (a)	\$ 1,007,579	\$ —	\$ —	\$ 1,007,579
Government debt securities (b)	45,915	1,149,531	—	1,195,446
Corporate debt securities (b)	134,495	1,332,753	207	1,467,455
Real estate (c)	51,516	—	—	51,516
Hedge funds (d)	30,484	—	—	30,484
Private equity (e)	36,946	—	—	36,946
Cash and cash equivalents	519,403	—	—	519,403
Other (f)	65,297	94,550	—	159,847
	<u>\$ 1,891,635</u>	<u>\$ 2,576,834</u>	<u>\$ 207</u>	<u>\$ 4,468,676</u>

Investments measured at NAV as a practical expedient for fair value

Equity securities (a)	\$ 2,290,630
Government debt securities (b)	498,008
Corporate debt securities (b)	290,642
Real estate (c)	544,148
Hedge funds (d)	1,530,875
Private equity (e)	993,347
Investments measured at NAV	<u>6,147,650</u>
Contributions made after measurement date	—
Pension plan assets at fair value as of December 28, 2019	<u>\$ 10,616,326</u>

The fair value descriptions for items (a) through (f), presented after the final fair value table, pertain to all plan asset fair value tables in Note 5, Pension and other postretirement plans.

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)	\$ 866,738	\$ —	\$ —	\$ 866,738
Government debt securities (b)	45,730	961,856	—	1,007,586
Corporate debt securities (b)	127,788	1,441,116	208	1,569,112
Real estate (c)	48,196	—	—	48,196
Hedge funds (d)	30,700	—	—	30,700
Private equity (e)	37,630	—	—	37,630
Cash and cash equivalents	312,679	—	—	312,679
Other (f)	45,525	86,568	—	132,093
	<u>\$ 1,514,986</u>	<u>\$ 2,489,540</u>	<u>\$ 208</u>	<u>\$ 4,004,734</u>

Investments measured at NAV as a practical expedient for fair value

Equity securities (a)	\$ 1,942,350
Government debt securities (b)	465,412
Corporate debt securities (b)	276,133
Real estate (c)	491,191
Hedge funds (d)	1,469,463
Private equity (e)	996,260
Cash and cash equivalents	518
Investments measured at NAV	<u>5,641,327</u>
Contributions made after measurement date	—
Pension plan assets at fair value as of December 29, 2018	<u>\$ 9,646,061</u>

- (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. The 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. for the U.K. and the Netherlands plans. The U.K. properties are managed with a value orientation and a focus on cash generation. In the U.K., concentrations currently exist within the retail sectors. The directly held properties in the U.K. 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 distressed debt. LBOs comprise the majority of investments at approximately 74% of holdings with the remaining 26% split between venture capital and distressed debt investments. While the portfolio of limited partnership investments is globally diversified, it is also primarily U.S. 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 \$108 million and \$0, 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
2020	\$ 391,159	\$ 654
2021	379,181	642
2022	391,141	628
2023	403,356	614
2024	417,922	615
2025-2029	2,297,019	2,352

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 \$49 million and \$48 million for the years ended December 28, 2019 and December 29, 2018, respectively.

(6) DEBT AND BORROWING ARRANGEMENTS

The long-term debt outstanding as of December 28, 2019 and December 29, 2018 was \$4 million and \$5 million, respectively.

Debt Maturities and Capitalized Interest

As of December 28, 2019, the Company's long-term debt maturities during the next five years were as follows:

2020	\$	968
2021		968
2022		874
2023		843
2024		316
Thereafter		—
Total long-term debt, net of unamortized discounts		3,969
Less: debt issuance costs		—
Total long-term debt	\$	<u>3,969</u>

For the years ended December 28, 2019 and December 29, 2018, the Company incurred interest expense of \$10 million and \$7 million, respectively, which was capitalized as a component of property, plant and equipment, net on the Consolidated Balance Sheets.

As of December 28, 2019 and December 29, 2018, the Company had short-term borrowings due to banks of \$9 million and \$106 million, respectively.

(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 that are not expected to be realized. Benefits of net operating loss carryforwards of \$36 million have various expiration dates through the year 2039, and \$66 million have no expiration dates.

As of December 28, 2019 and December 29, 2018, the components of deferred income tax assets and liabilities were as follows:

	2019	2018
Deferred tax assets	\$ 1,018,880	\$ 894,553
Valuation allowance	(113,438)	(80,612)
Net deferred tax assets	905,442	813,941
Deferred tax liabilities	87,916	148,549
Deferred tax assets, net	<u>\$ 817,526</u>	<u>\$ 665,392</u>

As of December 28, 2019 and December 29, 2018, the components of the provision for income taxes were as follows:

	2019	2018
Current tax provision	\$ 792,126	\$ 838,552
Deferred tax provision	(3,128)	34,731
Total tax provision	<u>\$ 788,998</u>	<u>\$ 873,283</u>

The effective tax rates are 29.6% and 31.9% for 2019 and 2018, respectively. The 2019 effective tax rate varies from the U.S. statutory tax rate primarily due to differences related to the taxation of foreign operations and withholding taxes. The 2018 effective tax rate varies from the U.S. statutory tax rate primarily due to differences related to the taxation of foreign operations, the completion of accounting for U.S. tax reform, and withholding taxes.

Reserves for uncertain tax positions have been classified as other non-current liabilities in the Consolidated Balance Sheets unless expected to be paid within one year. The net interest expense and penalties of \$27 million and \$9 million have been included in the Consolidated Statements of Income for the years ended December 28, 2019 and December 29, 2018, 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 \$127 million and \$98 million have been included in non-current other liabilities in the Consolidated Balance Sheets as of December 28, 2019 and December 29, 2018, 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 Canada (2013 onward), China (2006 onward), Mexico (2009 onward), U.K. (2018 onward); and the U.S. (2014 onward).

(8) FINANCIAL INSTRUMENTS

The notional amounts of foreign exchange contracts and commodity contracts outstanding at December 28, 2019 were \$306 million and \$601 million, respectively. The notional amounts of foreign exchange contracts and commodity contracts outstanding at December 29, 2018 were \$2,691 million and \$595 million, respectively.

In October 2019, Effem Holdings Limited entered into multiple fixed cross-currency swaps with its parent, Mars, Incorporated, that were designated as net investment hedges, which had an aggregate notional amount of £3,096 million for €3,593 million, and due dates between 2022 and 2049. The objective of these swaps is to protect the Company against the risk of changes in the foreign currency-equivalent of net investments in the foreign operations due to movements in foreign currency.

As of December 28, 2019, the following derivatives were recorded on the Consolidated Balance Sheet:

	Asset fair value	Liability fair value
Derivatives designated as hedging instruments:		
Cross-currency swaps	\$ 35,515	\$ 14,629
	<u>\$ 35,515</u>	<u>\$ 14,629</u>
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	\$ 535	\$ 2,600
Commodity contracts	9,527	900
	<u>\$ 10,062</u>	<u>\$ 3,500</u>

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
	<u>\$ 23,109</u>	<u>\$ 2,393</u>

The fair value of current derivative assets included within prepaid expenses and other was \$37 million and \$17 million as of December 28, 2019 and December 29, 2018, respectively. The fair value of noncurrent derivative assets included within other assets was \$9 million and \$6 million as of December 28, 2019 and December 29, 2018, respectively. The fair value of current derivative liabilities included within accounts payable and accrued liabilities was \$4 million and \$2 million as of December 28, 2019 and December 29, 2018, respectively. The fair value of noncurrent derivative liabilities included within other liabilities was \$14 million and \$0 million as of December 28, 2019 and December 29, 2018, respectively.

Net Investment Hedges

The Company designates cross-currency swaps as hedges of net investments in foreign operations. Changes in the fair value of these instruments related to changes in spot rates are included in other comprehensive (loss) income (i.e., cumulative translation adjustments), with excluded components (i.e., anything other than the change in fair value due to changes in spot rates such as cross currency basis spread and forward points) are recorded as part of interest expense.

The following table sets forth the gains (losses) recognized in the Consolidated Statement of Income and the Consolidated Statements of Changes in Stockholders' Investment related to these derivative instruments for the year ended December 28, 2019. Other than amounts excluded from effectiveness testing, there were no other gains (losses) reclassified from accumulated other comprehensive loss to income during the year ended December 28, 2019.

	Gross (Loss) Recognized in Other Comprehensive Loss	Location of Gross Loss Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of gain recognized in income on derivatives
Cross-currency swaps	\$ (20,886)	Interest income from Mars, net	\$ 7,997

There were no derivatives designated as net investment hedges as of December 29, 2018.

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 28, 2019 and December 29, 2018 was:

	Location of (loss) gain recognized in income on derivatives	(Loss) gain recognized in income on derivatives	
		2019	2018
Foreign exchange contracts	Cost of sales	\$ 9,510	\$ (16,697)
Foreign exchange contracts	Selling, general and administrative expense	(2,237)	8,113
Commodity contracts	Cost of sales	6,451	8,852
		<u>\$ 13,724</u>	<u>\$ 268</u>

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 28, 2019:

	Gross amounts of recognized assets/liabilities			Gross amounts offset in the Consolidated Balance Sheet (1)	Net amounts presented on the Consolidated Balance Sheet	Gross amounts not offset in the Consolidated Balance Sheet Cash collateral	Net amount
	Level 1	Level 2	Level 3				
<u>Assets</u>							
Foreign exchange contracts	\$ —	\$ 3,780	\$ —	\$ (3,245)	\$ 535	\$ —	\$ 535
Commodity contracts	10,258	—	—	(731)	9,527	—	9,527
Cross-currency swaps	—	50,162	—	(14,647)	35,515	—	35,515
	<u>\$ 10,258</u>	<u>\$ 53,942</u>	<u>\$ —</u>	<u>\$ (18,623)</u>	<u>\$ 45,577</u>	<u>\$ —</u>	<u>\$ 45,577</u>
<u>Liabilities</u>							
Foreign exchange contracts	—	5,845	—	(3,245)	2,600	—	2,600
Commodity contracts	1,631	—	—	(731)	900	—	900
Cross-currency swaps	—	29,276	—	(14,647)	14,629	—	14,629
	<u>1,631</u>	<u>35,121</u>	<u>—</u>	<u>(18,623)</u>	<u>18,129</u>	<u>—</u>	<u>18,129</u>

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

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

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	Location on Income statement	\$	—
Total realized/unrealized gains (losses) included in net income	Cost of sales		3,478
Purchases, sales and net settlements			(3,971)
Balance, December 29, 2018		\$	(493)
Total realized/unrealized gains (losses) included in net income			
Purchases, sales and net settlements	Cost of sales		493
Balance, December 28, 2019		\$	—

(9) PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of the following at December 28, 2019 and December 29, 2018:

	2019	2018
Land	\$ 194,726	\$ 189,158
Buildings and fixtures	2,089,176	1,994,616
Machinery and equipment	5,083,798	4,899,943
Construction in progress	610,544	677,904
	7,978,244	7,761,621
Accumulated depreciation	(4,595,807)	(4,382,764)
	<u>\$ 3,382,437</u>	<u>\$ 3,378,857</u>

(10) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying value of goodwill for the years ended December 28, 2019 and December 29, 2018 were as follows:

	2019	2018
Balance, beginning of year:		
Gross carrying amount	\$ 5,785,152	\$ 6,076,233
Accumulated impairment losses	(15,753)	(15,753)
	5,769,399	6,060,480
Goodwill acquired	255,818	7,263
Foreign exchange fluctuations	(91,724)	(298,344)
Balance, end of year:	<u>\$ 5,933,493</u>	<u>\$ 5,769,399</u>

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

	2019		2018	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Finite-lived:				
Trademarks	\$ 782,541	\$ 275,731	\$ 714,320	\$ 259,557
Customer relationships and referral network	2,812,545	2,682,922	2,874,203	2,756,840
Patents and technology	11,547	5,171	11,277	3,902
Other	81,557	73,254	71,343	70,077
	<u>3,688,190</u>	<u>3,037,078</u>	<u>3,671,143</u>	<u>3,090,376</u>
Total	<u>\$ 3,688,190</u>	<u>\$ 3,037,078</u>	<u>\$ 3,671,143</u>	<u>\$ 3,090,376</u>

Amortization expense for each of the next five years is estimated to be \$46 million, \$45 million, \$45 million, \$42 million and \$36 million.

There were no impairments of goodwill or long-lived intangible assets during the years ended December 28, 2019 and December 29, 2018.

(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 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	<u>\$ 87,417</u>	<u>\$ 8,934</u>	<u>\$ 96,351</u>
Expense	87,526	7,512	95,038
Payments	(101,875)	(7,875)	(109,750)
Foreign exchange fluctuations	(1,880)	(82)	(1,962)
Balance, December 28, 2019	<u>\$ 71,188</u>	<u>\$ 8,489</u>	<u>\$ 79,677</u>

Restructuring charges of \$69 million and \$26 million were recorded during 2019 in selling, general and administrative expense and cost of sales, respectively. Included in the 2019 restructuring charges were \$22 million of expenses incurred related to the integration of the Company's Mars Chocolate and Wrigley segments into a new segment called Mars Wrigley, and \$29 million of charges related to the Company's Pet Nutrition transformation project.

Restructuring charges of \$80 million and \$19 million were recorded during 2018 in selling, general and administrative expense and cost of sales, respectively. Included in the 2018 restructuring charges were \$69 million of expenses incurred related to the integration of the Company's Mars Chocolate and Wrigley segments into a new segment called Mars Wrigley. Total restructuring charges incurred from inception of the Mars Wrigley integration through December 28, 2019 were \$170 million.

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 \$21 million, of which \$4 million remains committed and unfunded at December 28, 2019.

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 \$116 million and \$93 million for the years ended December 28, 2019 and December 29, 2018, respectively. The following is a summary of future minimum lease payments for all capital leases and operating leases as of December 28, 2019:

	Capital leases	Operating leases	Total
2020	\$ 7,955	\$ 99,451	\$ 107,406
2021	7,677	77,971	85,648
2022	7,794	55,623	63,417
2023	7,925	42,860	50,785
2024	7,909	31,022	38,931
Thereafter	84,010	89,686	173,696
Total minimum lease payments	123,270	\$ 396,613	\$ 519,883
Amounts representing interest	(54,160)		
Present value of minimum lease payments	69,110		
Current portion of obligations under capital leases	(7,955)		
Long-term portion of obligations under capital leases	\$ 61,155		

In addition, the Company has purchase obligations for materials, supplies, co-manufacturing, storage and distribution services based on projected needs to be utilized in the normal course of business. Other purchase obligations include commitments for marketing, advertising, information technology and professional services. Certain of these obligations are long-term and are based on minimum purchase requirements. These arrangements expire at various dates through 2027. Certain purchase obligations contain variable pricing components, and, as a result, actual cash payments are expected to fluctuate

based on changes in these variable components. The following is a summary of these purchase obligations as of December 28, 2019:

	Purchase obligations
2020	\$ 119,266
2021	83,805
2022	21,373
2023	15,454
2024	12,713
Thereafter	36,485
Total	<u>\$ 289,096</u>

(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 28, 2019 and December 29, 2018 transactions with related parties were as follows:

In thousands	Location on the Financial Statements	2019	2018
Sales	Net Sales	\$ 1,160,627	\$ 1,153,526
Purchases	Cost of products sold and inventory	\$ 1,997,064	\$ 1,775,434
Shared service costs, management fees, technology fees, and other charges	Selling, general, and administrative expenses	\$ 553,221	\$ 843,134
Interest (income) expense (from) with Mars, net	Interest (income) expense (from) with Mars, net	\$ (199,792)	\$ (102,718)

As of December 28, 2019 and December 29, 2018, WIHC has a net receivable due from Mars of \$8,694 million and \$9,495 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 28, 2019 and December 29, 2018, WIHC made non-cash dividends to Mars of \$1,863 million and \$10 million, respectively. During the years ended December 28, 2019 and December 29, 2018, Mars made non-cash investments in WIHC of \$24 million and \$333 million, respectively. These non-cash dividends and affiliate investments are included in the Consolidated Statement of Stockholders' Investment.

Cash payments for affiliate interest were \$23 million and \$6 million for the years ended December 28, 2019 and December 29, 2018, 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. The borrowings under the facility bear an interest rate of 2% with an auto-extending maturity date of no later than December 7, 2020. As of December 28, 2019 and December 29, 2018, the Mars subsidiary in China had borrowings of ¥500 million and ¥735 million, respectively.

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 28, 2019 and December 29, 2018, the Mars subsidiary in China had no borrowings outstanding under the agreement.

On August 23, 2017, a WIHC subsidiary in the Netherlands (Mars Netherland B.V.) entered into two revolving credit facilities to borrow up to 30 billion Rubles from a Mars subsidiary in Russia (Mars Limited Liability Company). The credit facilities mature on December 31, 2020. As of December 28, 2019 and December 29, 2018, the WIHC subsidiary in the Netherlands had no borrowings outstanding under the agreements.

On August 30, 2017, a Mars subsidiary in Russia (Mars Limited Liability Company) entered into a revolving credit facility to borrow up to 3 billion Rubles from a WIHC subsidiary in the Netherlands (Mars Netherland B.V.). The credit facility matures on December 31, 2020. As of December 28, 2019 and December 29, 2018, the Mars subsidiary in Russia had no borrowings outstanding under the agreement.

(14) ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss, net of tax, at December 28, 2019 and December 29, 2018 were as follows:

	Foreign currency translation adjustments	Unrealized gain on investments	Pension and other post- retirement benefits	Total
Balance, December 30, 2017	\$ (2,861,996)	\$ 159,182	\$ (2,952,725)	\$ (5,655,539)
Other comprehensive (loss) income before reclassification	(1,099,939)	(44,730)	(15,061)	(1,159,730)
Reclassification from other comprehensive loss	—	(12,883)	209,672	196,789
Other comprehensive (loss) income, net	(1,099,939)	(57,613)	194,611	(962,941)
Balance, December 29, 2018	<u>\$ (3,961,935)</u>	<u>\$ 101,569</u>	<u>\$ (2,758,114)</u>	<u>\$ (6,618,480)</u>
Reclassification to retained earnings related to the adoption of new accounting standards	—	(101,220)	—	(101,220)
Other comprehensive income (loss) before reclassification	120,303	2,921	(890,514)	(767,290)
Reclassification from other comprehensive loss	—	—	143,895	143,895
Other comprehensive income (loss), net	120,303	2,921	(746,619)	(623,395)
Balance, December 28, 2019	<u>\$ (3,841,632)</u>	<u>\$ 3,270</u>	<u>\$ (3,504,733)</u>	<u>\$ (7,343,095)</u>

The components of comprehensive income for the year ended December 28, 2019 were as follows:

	Total WIHC	Noncontrolling interests	Total
Net income	\$ 1,875,754	\$ 2,390	\$ 1,878,144
Cumulative translation adjustments, net of tax expense of \$3,480	120,303	(2,343)	117,960
Unrealized gain on investments:			
Unrealized gains arising during the period, net of tax expense of \$82	2,921	—	2,921
Net change in pension and other postretirement expense, net of tax benefit of \$185,343 (a)	(746,619)	—	(746,619)
Comprehensive income	<u>\$ 1,252,359</u>	<u>\$ 47</u>	<u>\$ 1,252,406</u>

- (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 29, 2018 were as follows:

	Total WIHC	Noncontrolling interests	Total
Net income	\$ 1,858,626	\$ 3,770	\$ 1,862,396
Cumulative translation adjustments, net of tax benefit of \$5,450	(1,099,939)	(111)	(1,100,050)
Unrealized gain on investments:			
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 benefit of \$1	(12,883)	—	(12,883)
Net change in pension and other postretirement income, net of tax expense of \$34,061 (a)	194,611	—	194,611
Comprehensive income	<u>\$ 895,685</u>	<u>\$ 3,659</u>	<u>\$ 899,344</u>

(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 28, 2019 and December 29, 2018:

Description of Accumulated Other Comprehensive Loss Components	Location of (Gain) Loss Recognized in the Statements of Income	Amounts Reclassified from Accumulated Other Comprehensive Loss	
		2019	2018
Unrealized Gain on Investments			
Realized loss (gain) on sale of investments	Investment income, net	\$ —	\$ (12,884)
	Tax (expense) benefit	—	(1)
	Net of tax	<u>\$ —</u>	<u>\$ (12,883)</u>
Pension and Other Postretirement Benefits			
Net loss	(b)	\$ 201,272	\$ 278,147
Net prior service cost	(b)	4,519	2,619
Net transition asset	(b)	—	—
	Total before tax	205,791	280,766
	Tax benefit	61,896	71,094
	Net of tax	<u>\$ 143,895</u>	<u>\$ 209,672</u>

(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 June 19, 2020 the date the Consolidated Financial Statements were available to be issued, for conditions both existing and not existing as of December 28, 2019 and concluded there were no subsequent events to recognize and no subsequent events to disclose.