

Registered number: 06649984

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**Mars Petcare UK**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 2 JANUARY 2021**

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**Mars Petcare UK**

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**Mars Petcare UK**

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**STRATEGIC REPORT  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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The directors present their Strategic Report for the period ended 2 January 2021. The results represent the 53 week period ended 2 January 2021, and the comparatives represent the 52 week period ended 28 December 2019.

**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 £76,567,000 (2019: £65,134,000). As at 2 January 2021 the Company had net assets of £393,083,000 (28 December 2019: £315,763,000).

Dividends of £nil (2019: £nil) have been proposed and paid to holders of the ordinary shares, this represents £nil (2019: £nil) per share. No final dividend has been proposed (2019: £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.

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**Mars Petcare UK**


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**STRATEGIC REPORT (CONTINUED)**  
**FOR THE PERIOD ENDED 2 JANUARY 2021**


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**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 Companies 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 United Kingdom left the European Union on 31 December 2020, as part of the withdrawal process an agreement was reached between the United Kingdom of Great Britain and Northern Ireland and the European Union. The Directors are continuing to monitor the impact on the Company based on the terms on which the United Kingdom have agreed in the form of an UK-EU Trade and Cooperation agreement. the directors have assessed the outcome of any post Brexit implications to the best of their abilities and have taken actions to overcome any potential effect. The Directors will continue to manage business activities including any updates to the impact;
- the impact of Covid-19 should the disruption continue to affect 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:

	2 January 2021	28 December 2019
	£'000	£'000
Turnover	640,003	575,963
Profit before taxation	94,605	80,687
Gross profit margin (%)	28	28
Operating profit margin (%)	15	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. Due to the market impact of Covid-19 the consumer shopping patterns have changed which has benefited certain categories of the entities.

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**Mars Petcare UK**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**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.

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**Mars Petcare UK**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**Directors' statement of compliance with duty to promote the success of the Company**

Under Section 172 of the UK Companies Act 2006 ('Section 172') directors must act in the way that they consider, in good faith, would be most likely to promote the success of their company. In doing so, our directors must have regard to stakeholders and the other matters set out in Section 172. As part of the Mars, Incorporated Group (Mars), we continue to perform business in accordance with the "The Five Principles".

**Quality:** The consumer is our boss; quality is our work and value for money is our goal. Our company is dedicated to the highest quality in all the work we do. Quality is the uncompromising standard for our actions, and it flows from our passion and our pride in being part of the Mars community.

**Responsibility:** As individuals, we demand total responsibility from ourselves; as Associates, we support the responsibilities of others. Our company is complex, with brands, businesses, and operations located around the world. For this reason, we give all Associates freedom to take full responsibility to deliver superior results for doing their assigned jobs. In return, Associates receive respect and support, and are appropriately rewarded in line with their performance. The interests of our associates are considered with the highest regard for their wellbeing.

**Mutuality:** A mutual benefit is a shared benefit; a shared benefit will endure. As we negotiate with our suppliers and distributors, we must avoid terms that are harmful to their business while demanding supplies and services from them that will be the best for us. Mutuality imposes a special obligation on us to respect the environment and develop the most sustainable methods for achieving our goals. Our aim is to return a fair benefit to our local and national communities, increasing their prosperity and quality of life as we benefit from partnership with them.

**Efficiency:** We use resources to the full, waste nothing and do only what we can do best. Efficiency is a task we all share. It demands constant and open communication and defines how we work as individuals and as an organization. Lean businesses, small staffs and large jobs held by highly talented Associates are all signs of the Efficiency Principle at work.

**Freedom:** We need freedom to shape our future; we need profit to remain free. If Mars continues to create sufficient profits, we will be free to operate the business in the way we regard as best. As Mars grows, we weigh decisions about our diversification with great care, wanting to enter only those businesses and markets where we may excel.

In line with the Five Principles, Mars is committed to helping create a safe, healthy and sustainable world for our customers, suppliers and associates together with the communities in which we operate. From replacing plastic packaging with eco-friendly materials, to advancing global research on critical food safety challenges, to rethinking where and how we buy our raw materials, we are constantly innovating to drive positive change for people and the planet.

Our directors take steps to understand how the Five Principles are being implemented via a number of mediums, including by direct engagement or via their delegated committees and forums.

This report was approved by the board on 23 July 2021 and signed on its behalf.

*Helen Kimberley*

**H Kimberley  
Director**

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**Mars Petcare UK**

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**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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The directors present their report and the audited financial statements for the period ended 2 January 2021. The results represent the 53 week period ended 2 January 2021, and the comparatives represent the 52 week period ended 28 December 2019.

**Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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 and to enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

**Results and dividends**

The profit for the period, after taxation, amounted to £76,567,000 (2019:65,134,000).

As at 2 January 2021, the Company had net assets of £393,083,000 (28 December 2019: £315,763,000).

Dividends of £nil (2019: £nil) have been proposed and paid to holders of the ordinary shares, this represents £nil (2019: £nil) per share. No final dividend has been proposed (2019: £nil).

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**Mars Petcare UK**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**Directors**

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

D Watkins  
I Langer (resigned 2 July 2021)  
A Parton  
H Selby (resigned 20 March 2020)  
H Kimberley  
H Warren-Piper  
K Wood (appointed 5 May 2021)

**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 (2019: £nil).

**Future Developments**

Details of future developments shown in the Strategic Report on page 1.

**Financial risk management**

Details of financial risk management are shown in the Strategic Report on page 3.

**Going concern**

Details of going concern are shown in the accounting policies, as shown on page 19.



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**Mars Petcare UK**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**Greenhouse gas emissions, energy consumption and energy efficiency action**

The below statement contains Mars Petcare UK Limited's annual energy consumption, associated relevant greenhouse gas emissions, and additional related information, as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

**Methodology**

The methodology applied to the calculation of Greenhouse Gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard'. An 'operational control' boundary has been applied. Carbon conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting – 2020'. Emissions are reported as CO<sub>2</sub>e. Electricity emissions have been reported as both 'market' and 'location-based'. 100% of our electricity purchased in 2020 was from renewable sources.

**Energy Use and Greenhouse Gas Emissions**

The table below shows the total annual UK energy use associated with the consumption of; electricity, natural gas and other fuels combusted on-site, and fuel consumed for relevant business transport purposes, for the period 29 December 2019 - 2 January 2021.

<b>Table – Energy Consumption and Emissions 2020</b>	
On-site combustion (MWh)	85,028
Electricity (MWh)	36,098
Road Transport (MWh)	21
<b>Total Energy (MWh)</b>	<b>121,147</b>
Scope 1 Emissions (tCO <sub>2</sub> e)	15,893
Scope 2 Emissions - location based (tCO <sub>2</sub> e)	8,416
Scope 2 Emissions - market based (tCO <sub>2</sub> e)	0
Scope 3 Emissions (tCO <sub>2</sub> e)	5
<b>Total Emissions (tCO<sub>2</sub>e) - location based</b>	<b>24,313</b>
<b>Total Emissions (tCO<sub>2</sub>e) - market based</b>	<b>15,898</b>
<b>Emissions Intensity (tCO<sub>2</sub>e/£m turnover)</b>	<b>38.43</b>

**Emissions Intensity**

For purposes of baselining and ongoing comparison, it is required to express the emissions using a carbon intensity metric. The intensity metric chosen is £m turnover. The resultant emissions intensity is 38.43 tCO<sub>2</sub>e/£m turnover.

**Energy Efficiency Action**

We have undertaken a number of activities to reduce our energy consumption during 2020. At our Birstall site we optimised the operation of our boiler systems through a novel process of splitting the system into summer and winter modes which has significantly reduced heat losses. We have also installed a compressor heat recovery system and improved the efficiency of our air handling systems via the installation of a new control

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**Mars Petcare UK**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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system. At our Castle Cary site we have reduced energy consumption through improvements in boiler efficiency through; reductions in boiler blowdown energy loss via the use of a reverse osmosis plant, improvements in burner efficiency, and steam trap monitoring. We have also reduced the process water temperature, invested in a 'free-cooling' chiller, and installed new energy monitoring software. At our Melton site, energy reductions were achieved through improvements in heat recovery and through the optimisation of Air Handling Units.

**Engagement with Associates**

As mentioned in the Strategic Report, the interests of our associates are considered with the highest regard for their well being. 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 need and circumstances, the most important of these being regular briefing sessions of associates with their managers. Associates are asked to take on direct 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 need and aptitudes of each person can be best met and developed.

**Engagement with suppliers, customers and others**

The Company is guided by its five principles, as set out in the strategic report on page 4, and should be used in combination for all activities including how we seek to engage with our stakeholders.

The Five Principles are the foundation of how we do business, and we strive to live by them each and every day. They are the filter in all our business decisions, and they unite us across geographies, languages, cultures, and generations.

**Independent auditors**

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

This report was approved by the board on 23 July 2021 and signed on its behalf.

*Helen Kimberley*

**H Kimberley  
Director**

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**Mars Petcare UK**

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

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**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 2 January 2021 and of its profit for the 53 week 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 2 January 2021; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the 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**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**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

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**Mars Petcare UK**

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

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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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2 January 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with food safety legislation, health and safety legislation, employment legislation and taxation legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting

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**Mars Petcare UK**

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

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unusual journal entries to increase revenue and profits or the manipulation of accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Confirmation and enquiry of management and those charged with governance over compliance with food safety legislation, health and safety legislation, employment legislation and taxation legislation, including consideration of actual or potential litigation and claims.
- Reviewing minutes of meetings of those charged with governance.
- Enquiry of staff in tax and compliance functions to identify instances of non-compliance with laws and regulations in respect to food safety legislation, health and safety legislation, employment legislation and taxation legislation.
- Auditing the risk of management override of controls or risk of fraud in revenue recognition through testing journal entries mainly relating to entries with unusual account combinations, entries posted by unusual users, entries with unusual words.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to assumptions associated with pension liability and trade promotion accruals.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

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

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**Mars Petcare UK**

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

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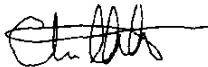
**Other required reporting**

**Companies Act 2006 exception reporting**

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

- we have not obtained 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  
23 July 2021

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Mars Petcare UK

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**INCOME STATEMENT**  
**FOR THE PERIOD ENDED 2 JANUARY 2021**


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	Note	Period ended 2 January 2021 £000	Period ended 28 December 2019 £000
Turnover	4	640,003	575,963
Cost of sales		(459,948)	(416,281)
<b>Gross profit</b>		<b>180,055</b>	<b>159,682</b>
Distribution costs		(48,902)	(46,485)
Administrative expenses		(37,759)	(34,288)
Other operating income	5	2,333	1,228
<b>Operating profit</b>	8	<b>95,727</b>	<b>80,137</b>
Interest receivable and similar income	10	45	2,147
Interest payable and similar expenses	11	(1,167)	(1,597)
<b>Profit before tax</b>		<b>94,605</b>	<b>80,687</b>
Tax on profit	12	(18,038)	(15,553)
<b>Profit for the financial period</b>		<b>76,567</b>	<b>65,134</b>

All amounts relate to continuing operations.

The notes on pages 19 to 49 form part of these financial statements.

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Mars Petcare UK

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 2 JANUARY 2021**


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		2 January 2021 £000	28 December 2019 £000
	Note		
Profit for the financial period		76,567	65,134
<b>Other comprehensive income/(expense)</b>			
Gain/(loss) on defined benefit schemes	24	954	(93,376)
Movement on deferred tax relating to pension gain		(809)	14,898
Movement on current tax relating to pension gain		608	1,121
<b>Other comprehensive income/(expense) for the period</b>		<b>753</b>	<b>(77,357)</b>
<b>Total comprehensive income/(expense) for the period</b>		<b>77,320</b>	<b>(12,223)</b>

The notes on pages 19 to 49 form part of these financial statements.



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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 2 JANUARY 2021**

	Note	2 January 2021 £000	28 December 2019 £000
<b>Fixed assets</b>			
Intangible assets	14	17,099	18,691
Tangible assets	15	106,867	99,667
		<u>123,966</u>	<u>118,358</u>
<b>Current assets</b>			
Stocks	16	38,373	39,926
Pension asset due after more than one year	24	35,332	29,555
Debtors: amounts falling due within one year	17	551,577	442,222
Cash at bank and in hand		2,922	3,522
		<u>628,204</u>	<u>515,225</u>
Creditors: amounts falling due within one year	18	(308,807)	(272,492)
<b>Net current assets</b>		<u>319,397</u>	<u>242,733</u>
<b>Total assets less current liabilities</b>		<u>443,363</u>	<u>361,091</u>
Creditors: amounts falling due after more than one year	19	(8,771)	(7,297)
		<u>434,592</u>	<u>353,794</u>
<b>Provisions for liabilities</b>			
Deferred tax	21	(387)	(1,232)
Pension liability	24	(41,122)	(36,799)
		<u>(41,509)</u>	<u>(38,031)</u>
<b>Net assets</b>		<u>393,083</u>	<u>315,763</u>
<b>Capital and reserves</b>			
Called up share capital	22	502	502
Retained earnings		392,581	315,261
<b>Total equity</b>		<u>393,083</u>	<u>315,763</u>

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

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**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 2 JANUARY 2021**

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The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 July 2021.

*Helen Kimberley*

**H Kimberley**  
Director

The notes on pages 19 to 49 form part of these financial statements.

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Mars Petcare UK

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 29 December 2019	502	315,261	315,763
<b>Comprehensive income for the period</b>			
Profit for the financial period	-	76,567	76,567
Gain on defined benefit scheme	-	954	954
Movement on deferred tax relating to pension losses	-	(809)	(809)
Movement on current tax relating to pension gain	-	608	608
<b>Other comprehensive income for the period</b>	-	753	753
<b>Total comprehensive income for the period</b>	-	77,320	77,320
<b>At 2 January 2021</b>	<b>502</b>	<b>392,581</b>	<b>393,083</b>

The notes on pages 19 to 49 form part of these financial statements.

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Mars Petcare UK

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

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	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 30 December 2018	502	327,484	327,986
<b>Comprehensive expense for the period</b>			
Profit for the financial period	-	65,134	65,134
Loss on defined benefit schemes	-	(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
<b>Other comprehensive expense for the period</b>	-	(77,357)	(77,357)
<b>Total comprehensive expense for the period</b>	-	(12,223)	(12,223)
<b>At 28 December 2019</b>	<b>502</b>	<b>315,261</b>	<b>315,763</b>

The notes on pages 19 to 49 form part of these financial statements.

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**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.

The results represent the 53 week period ended 2 January 2021 and the comparatives represent the 52 week period ended 28 December 2019.

**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.

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**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.

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**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**

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**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 Stocks**

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

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

**2.11 Intangible assets**

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

- Software ~ 3 years

Amortisation is charged to the income statement.

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

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired, per note 2.20.



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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**2. Summary of significant accounting policies (continued)**

**2.12 Goodwill**

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

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

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement per note 2.20.

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

**2.13 Tangible assets**

Tangible assets are stated at cost less depreciation and accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Depreciation is provided on the following basis:

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

No depreciation is charged on assets which have yet to be commissioned. Depreciation is charged from the month in which the asset is brought into use.

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

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.

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**2. Summary of significant accounting policies (continued)**

**2.14 Employee benefits**

Mars Petcare UK provides a range of benefits to employees.

**(i) Short term employee benefits**

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

**(ii) Multi employer defined benefit plan**

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

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

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

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

**(iii) Defined contribution plan**

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

**(iv) Deferred cash promises**

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

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

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

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

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**2. Summary of significant accounting policies (continued)**

**2.14 Employee benefits (continued)**

the transaction.

**2.15 Long-term incentives**

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

**2.16 Cash and cash equivalents**

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

The Company has given a guarantee of the balance of cash at bank in respect of any potential bank overdrafts by Food Manufactures GB. group of companies.

**2.17 Foreign currency translation**

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

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

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

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

**2.18 Current taxation**

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

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Mars Petcare UK

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**2. Summary of significant accounting policies (continued)**

**2.19 Deferred taxation**

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

*A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.*

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

**2.20 Impairment of non-financial assets**

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

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

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

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

**2.21 Provisions for liabilities**

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

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**2. Summary of significant accounting policies (continued)**

**2.22 Contingencies**

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

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

**2.23 Share capital**

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

**2.24 Related party transactions**

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

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**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.

**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.

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**5. Other operating income**

	<b>2</b>	<b>28</b>
	<b>January</b>	<b>December</b>
	<b>2021</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Research and development expenditure credit	<b>2,333</b>	<b>1,228</b>
	<b>2,333</b>	<b>1,228</b>

**6. Employees**

Staff costs were as follows:

	<b>2</b>	<b>28</b>
	<b>January</b>	<b>December</b>
	<b>2021</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>63,415</b>	<b>58,258</b>
Social security costs	<b>8,276</b>	<b>7,251</b>
Other pension costs (note 24)	<b>18,841</b>	<b>15,420</b>
	<b>90,532</b>	<b>80,929</b>

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

	<b>2</b>	<b>28</b>
	<b>January</b>	<b>December</b>
	<b>2021</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Production	<b>556</b>	<b>507</b>
Selling and distribution	<b>279</b>	<b>222</b>
Administration	<b>378</b>	<b>383</b>
	<b>1,213</b>	<b>1,112</b>

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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## 7. Directors' remuneration

	2 January 2021 £000	28 December 2019 £000
Directors' emoluments	1,637	948
	<u>1,637</u>	<u>948</u>

The highest paid director received remuneration of £750,000 (2019: £549,000)

The value of defined benefit pension scheme accrued pension in respect of the highest paid director amounted to £176,000 (2019: £161,000).

Retirement benefits are accruing to 3 directors (2019: 4) under the group's defined benefit schemes.



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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**8. Operating profit**

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

	2 January 2021 £000	28 December 2019 £000
Amortisation of intangible assets	1,629	1,634
Impairment of stock	873	537
Depreciation of tangible assets	15,093	14,191
Loss on disposal of fixed assets	738	127
Hire of plant and machinery under operating leases	180	175
Research and development	3,880	2,704
Rental of properties under operating leases *	20,071	17,208
Stock recognised as an expense	407,716	393,924
Impairment of trade receivables	24	(29)
Derivative financial instrument loss/(gain)	363	(140)
Foreign currency exchange (gain)/loss	(434)	117

The research and development costs incurred by the Company, before recharges made to other group companies, were £29,960,000 (2019: £26,752,000).

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

Representation of prior year Rental of properties under operating leases \* in order to align costs presented with the approach of other group companies.

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

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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## 9. Auditors' remuneration

	2 January 2021 £000	28 December 2019 £000
Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements	164	174
	<u>164</u>	<u>174</u>
<b>Fees payable to the Company's auditors and its associates in respect of:</b>		
Other services relating to taxation	312	456
All other services	361	45
	<u>673</u>	<u>501</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

	2 January 2021 £000	28 December 2019 £000
Net interest income on post employment benefits	33	2,111
Other interest receivable	12	36
	<u>45</u>	<u>2,147</u>

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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## 11. Interest payable and similar expenses

	2 January 2021 £000	28 December 2019 £000
Bank interest payable	5	4
Loans from group undertakings	1,162	1,593
	<u>1,167</u>	<u>1,597</u>

## 12. Tax on profit

	2 January 2021 £000	28 December 2019 £000
<b>Tax included within the income statement</b>		
Current tax on profits for the period	19,907	16,537
Adjustments in respect of previous periods	(214)	(809)
	<u>19,693</u>	<u>15,728</u>
<b>Total current tax</b>	<u>19,693</u>	<u>15,728</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(949)	(381)
Effect of change in tax rate	54	43
Adjustments in respect of prior periods	(760)	163
	<u>(1,655)</u>	<u>(175)</u>
<b>Total deferred tax</b>	<u>(1,655)</u>	<u>(175)</u>
<b>Tax on profit</b>	<u>18,038</u>	<u>15,553</u>

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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## 12. Tax on profit (continued)

**Factors affecting tax charge for the period**

The tax assessed for the period is higher than (2019: the same as) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2 January 2021 £000	28 December 2019 £000
Profit before tax	94,605	80,687
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	17,975	15,330
<b>Effects of:</b>		
Adjustments in respect of prior periods	(975)	(652)
Increase in pension fund prepayment leading to an increase in tax	982	832
Permanent differences	56	43
<b>Total tax charge for the period</b>	<b>18,038</b>	<b>15,553</b>

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2020 (on 22 July 2020). These include returning corporation tax rates to 19% at 1 April 2020 instead of the planned reduction to 17%. Subsequent to this Finance Bill, in the March 2021 UK Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 01 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 02 January 2021 continue to be measured at a rate of 19%.

The difference between tax rates enacted at year end of 19% and the rates subsequently enacted as part of the Finance Bill 2021 effective from 2023 is not deemed to be material to the Company.

As at the date of these financial statements there has been no further tax rate announcements.

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**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 exchanged in cash.

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

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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## 14. Intangible assets

	Software £000	Intellectual Property £000	Goodwill £000	Total £000
<b>Cost</b>				
At 29 December 2019	3,392	3,405	17,419	24,216
Additions	37	-	-	37
At 2 January 2021	<u>3,429</u>	<u>3,405</u>	<u>17,419</u>	<u>24,253</u>
<b>Accumulated Amortisation</b>				
At 29 December 2019	2,649	1,135	1,741	5,525
Charge for the year	146	1,135	348	1,629
At 2 January 2021	<u>2,795</u>	<u>2,270</u>	<u>2,089</u>	<u>7,154</u>
<b>Net book value</b>				
At 2 January 2021	<u>634</u>	<u>1,135</u>	<u>15,330</u>	<u>17,099</u>
At 28 December 2019	<u>743</u>	<u>2,270</u>	<u>15,678</u>	<u>18,691</u>

## Mars Petcare UK

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

**15. Tangible assets**

	Freehold land & property £000	Plant & machinery £000	Capital work in progress £000	Total £000
<b>Cost or valuation</b>				
At 29 December 2019	86,484	115,729	12,682	214,895
Additions	645	4,541	17,895	23,081
Disposals	(4)	(1,230)	-	(1,234)
Transfers between classes	445	3,510	(3,955)	-
At 2 January 2021	87,570	122,550	26,622	236,742
<b>Accumulated Depreciation</b>				
At 29 December 2019	43,852	71,376	-	115,228
Charge for the period on owned assets	4,972	10,121	-	15,093
Disposals	(3)	(443)	-	(446)
At 2 January 2021	48,821	81,054	-	129,875
<b>Net book value</b>				
At 2 January 2021	38,749	41,496	26,622	106,867
At 28 December 2019	42,632	44,353	12,682	99,667

Land and Buildings for the Company includes £3,948,076 (2019: £3,948,076) in respect of freehold land.

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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## 16. Stocks

	2 January 2021 £000	28 December 2019 £000
Raw materials and consumables	9,616	8,898
Finished goods and goods for resale	28,757	31,028
	<u>38,373</u>	<u>39,926</u>

Stocks are stated after provisions for impairment of £1,822,000 (2019: £1,208,000).

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

## 17. Debtors: Amounts falling due within one year

	2 January 2021 £000	28 December 2019 £000
Trade debtors	25,723	29,428
Amounts owed by group undertakings	521,969	410,569
Tax recoverable	3,452	-
Other debtors	38	94
Derivative financial instrument (note 20)	96	589
Prepayments and accrued income	299	1,542
	<u>551,577</u>	<u>442,222</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 £438,000 (2019: £1,233,000).



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**Mars Petcare UK**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**


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**18. Creditors: Amounts falling due within one year**

	2 January 2021 £000	28 December 2019 £000
Trade creditors	75,933	67,412
Amounts owed to group undertakings	114,602	122,728
Corporation tax	-	6,864
Other taxation and social security	39,196	15,644
Other creditors	2,747	2,747
Derivative financial instrument (note 20)	1,032	647
Accruals and deferred income	75,297	56,450
	<u>308,807</u>	<u>272,492</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**

	2 January 2021 £000	28 December 2019 £000
Other creditors	8,771	7,297
	<u>8,771</u>	<u>7,297</u>

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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## 20. Financial instruments

	2 January 2021 £000	28 December 2019 £000
<b>Financial assets</b>		
Financial assets measured at fair value through income statement:		
Derivative financial instrument	96	589
Financial assets measured at amortised cost:		
Cash at bank and in hand	2,922	3,522
Trade debtors	25,723	29,428
Other debtors	38	94
Amounts owed by group undertakings	521,969	410,569
	<u>550,748</u>	<u>444,202</u>
<b>Financial liabilities</b>		
Financial liabilities measured at fair value through income statement:		
Derivative financial instruments	1,032	647
Financial liabilities measured at amortised cost:		
Trade creditors	75,933	67,412
Amounts owed to group undertakings	114,602	122,728
	<u>191,567</u>	<u>190,787</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 2 January 2021, these contracts mature within 12 months (2019: 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 2 January 2021, the fair value of foreign exchange forward contracts held are an asset position of £96,000 (2019: £589,000) and a liability position of £1,032,000 (2019: £647,000).

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**21. Deferred Tax**

	<b>2 January 2021 £000</b>	<b>28 December 2019 £000</b>
At the beginning of period	(1,232)	(16,333)
Credit to income statement	1,654	175
Acquired deferred tax	-	28
Charge to other comprehensive income	(809)	14,898
<b>At end of period</b>	<b>(387)</b>	<b>(1,232)</b>

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

	<b>2 January 2021 £000</b>	<b>28 December 2019 £000</b>
Accelerated capital allowances	(4,058)	(3,643)
Defined benefit plan (surplus)/deficit	904	1,230
Other timing differences	2,767	1,181
	<b>(387)</b>	<b>(1,232)</b>

**22. Called up share capital**

	<b>2 January 2021 £000</b>	<b>28 December 2019 £000</b>
<b>Authorised, allotted, called up and fully paid</b>		
502,001 (2019: 502,001) Ordinary shares of £1 each	<b>502</b>	<b>502</b>

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

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**23. Capital commitments**

At 2 January 2021 the Company had capital commitments as follows:

	2 January 2021 £000	28 December 2019 £000
Contracted for but not provided in these financial statements - tangible assets	5,508	6,628
	<u>5,508</u>	<u>6,628</u>

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**Mars Petcare UK**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**


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**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 28 December 2019 and have been updated to 2 January 2021 by independent qualified actuaries in accordance with FRS102.

	<b>2 January 2021 £000</b>	<b>28 December 2019 £000</b>
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the period	<b>1,695,632</b>	1,690,901
Transfers out	<b>(3,935)</b>	(6,514)
Current service cost	<b>16,719</b>	13,871
Past service (income)	-	(481)
Curtailment gain	<b>562</b>	-
Interest cost	<b>32,321</b>	39,498
Benefits paid	<b>(54,481)</b>	(51,107)
Actuarial loss on liabilities	<b>191,072</b>	9,464
<b>At the end of the year</b>	<b><u>1,877,890</u></b>	<u>1,695,632</u>

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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**24. Pension and deferred cash promise commitments (continued)**

Reconciliation of present value of plan assets:

	2 January 2021 £000	28 December 2019 £000
At the beginning of the period	1,688,389	1,774,342
Actuarial gains/(losses)	192,026	(83,912)
Contributions	14,975	13,515
Benefits paid	(52,203)	(50,651)
Expected return on assets	32,354	41,609
Transfers out	(3,441)	(6,514)
<b>At the end of the year</b>	<b>1,872,100</b>	<b>1,688,389</b>

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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**24. Pension and deferred cash promise commitments (continued)**

Composition of plan assets:

	2 January 2021 £000	28 December 2019 £000
Equities	625,731	470,875
Bonds	592,632	540,284
Property	104,295	104,748
Other	549,442	572,482
<b>Total plan assets</b>	<b>1,872,100</b>	<b>1,688,389</b>

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

	2 January 2021 £000	28 December 2019 £000
Fair value of plan assets	1,872,100	1,688,389
Present value of plan liabilities	(1,877,890)	(1,695,632)
<b>Net pension scheme liability</b>	<b>(5,790)</b>	<b>(7,243)</b>

The net pension scheme liabilities of £5,790,000 (2019: liability £7,243,000) is reflected in the statement of financial position in current assets under Pension asset due after more than one year of £35,332,000 (2019: £29,555,000) and in provision for liabilities of £41,122,000 (2019: £36,799,000).

The closing plan/promise obligation includes an asset relating to a funded, self-administered, defined benefit pension plan of £35,332,000 (2019 asset: £29,555,000), obligations relating to self-administered deferred cash promises of £25,112,000 (2019: £22,964,000) and obligations relating to certain associates who have joined the UK business of £16,010,000 (2019: £13,834,000).

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 2 January 2021 was gain of £224,380,000 (2019: loss £42,303,000).

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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**24. Pension and deferred cash promise commitments (continued)**

The amounts recognised in the income statement are as follows:

	<b>2</b> <b>January</b> <b>2021</b> <b>£000</b>	<b>28</b> <b>December</b> <b>2019</b> <b>£000</b>
Current service cost	<b>16,719</b>	13,871
Past service cost	-	(481)
Curtailment	<b>562</b>	-
<b>Total</b>	<b>17,281</b>	13,390
Expected return on pension plan/promise assets	<b>32,354</b>	41,609
Interest on pension plan/promise liabilities	<b>(32,321)</b>	(39,498)
	<b>33</b>	2,111
<b>Statement of comprehensive income (OCI)</b>		
Actual return less expected return on pension plan/promise assets	<b>192,026</b>	(83,912)
Re-measurement of the present value of the pension plan/promise liabilities	<b>(191,072)</b>	(9,464)
<b>Actuarial gain/(loss) recognised in other comprehensive income/(expense)</b>	<b>954</b>	(93,376)



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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**24. Pension and deferred cash promise commitments (continued)**

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

	2 January 2021 £000	28 December 2019 £000
Opening defined benefit (liability)/asset	(7,243)	83,441
Transfers out	494	-
Current service cost	(16,719)	(13,871)
Past service cost	-	481
Curtailment gain	(562)	-
Contribution paid during the period	14,975	13,515
Net interest income on post employment benefit	33	456
Benefit paid during the period	2,278	2,111
Actuarial gain/(losses)	954	(93,376)
<b>Closing defined benefit obligation</b>	<b>(5,790)</b>	<b>(7,243)</b>

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Mars Petcare UK

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021

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**24. Pension and deferred cash promise commitments (continued)**

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

	<b>2 January 2021 %</b>	<b>28 December 2019 %</b>
Discount rate	<b>1.31</b>	<b>1.9</b>
Future salary increases	<b>3.80-7.00</b>	<b>3.70-7.00</b>
Future pension increases	<b>0.00-2.80</b>	<b>1.80-2.80</b>
Inflation assumption	<b>1.75-3.00</b>	<b>1.75-3.00</b>
Mortality rates		
Longevity at age 65 for current pensioners:		
Men	<b>22.6</b>	<b>22.6</b>
Women	<b>24.5</b>	<b>24.5</b>
Longevity at age 65 for future pensioners:		
Men	<b>23.1</b>	<b>23.0</b>
Women	<b>24.9</b>	<b>24.9</b>

**Defined contribution pension plan**

The Company operates a defined contribution plan, the Mars Associates' Savings Plan ("ASP") and the Mars Voluntary Contributory Scheme ("VCS"). The charge for the period was £2,122,000 (2019: £1,549,000).

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**Mars Petcare UK**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JANUARY 2021**

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**25. Commitments under operating leases.**

At 2 January 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	<b>2 January 2021 £000</b>	<b>28 December 2019 £000</b>
Not later than 1 year	<b>11,130</b>	9,607
Later than 1 year and not later than 5 years	<b>14,632</b>	15,170
Later than 5 years	-	1,264
	<b>25,762</b>	<b>26,041</b>

**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 Effem Holdings Limited, the UK group parent company registered in England and Wales. The Company is a wholly owned subsidiary of Wrigley International Holding Company (the smallest group to consolidate) and is included in the consolidated financial statements of that company, a copy of which will be submitted alongside these financial statements and may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. Wrigley International Holding Company's registered office is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States.

**WRIGLEY INTERNATIONAL HOLDING COMPANY**

**Consolidated Financial Statements**

**As of January 2, 2021 and December 28, 2019**

**Together with Report of Independent Auditors**

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COMPANIES HOUSE



## **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 January 2, 2021 and December 28, 2019 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 January 2, 2021 and December 28, 2019, 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 12 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 15, 2021

PricewaterhouseCoopers LLP, 1000 Wilson Blvd #2400, Arlington, VA 22209  
T: (703) 847 1900, [www.pwc.com/us](http://www.pwc.com/us)

**WRIGLEY INTERNATIONAL HOLDING COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED JANUARY 2, 2021 AND DECEMBER 28, 2019**  
**USD in thousands**

	<u>2020</u>	<u>2019</u>
Net sales	<b>\$ 16,777,617</b>	\$ 17,201,811
Cost of sales	<b>10,071,304</b>	10,359,929
Gross profit	<b>6,706,313</b>	6,841,882
Selling, general and administrative expense	<b>4,630,943</b>	4,716,787
Amortization of intangible assets	<b>46,383</b>	37,013
Income from operations	<b>2,028,987</b>	2,088,082
Interest expense	<b>25,000</b>	37,004
Interest income from Mars, net	<b>(185,539)</b>	(199,792)
Investment (income) loss, net	<b>(60,465)</b>	(123,896)
Foreign exchange (gain) loss, net	<b>127,704</b>	14,650
(Gain) loss on sale of businesses, net	<b>—</b>	1,775
Non-operating pension and postretirement benefit income, net	<b>(203,427)</b>	(238,104)
Equity method investments (income) expense, net	<b>(96,172)</b>	(70,697)
Income before provision for income taxes	<b>2,421,886</b>	2,667,142
Provision for income taxes	<b>698,345</b>	788,998
Net income	<b>1,723,541</b>	1,878,144
Net income attributable to noncontrolling interests	<b>427</b>	2,390
Net income attributable to Wrigley International Holding Company	<b>\$ 1,723,114</b>	\$ 1,875,754

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 JANUARY 2, 2021 AND DECEMBER 28, 2019**  
**USD in thousands**

	<u>2020</u>	<u>2019</u>
Net income	<b>\$ 1,723,541</b>	<b>\$ 1,878,144</b>
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	<b>892,100</b>	117,960
Net unrealized change on investments	<b>416</b>	2,921
Net change in pension and other postretirement benefits	<b>(611,584)</b>	(746,619)
Total comprehensive income (loss)	<b>2,004,473</b>	1,252,406
Comprehensive income attributable to noncontrolling interests	<b>4,470</b>	47
Comprehensive income attributable to Wrigley International Holding Company	<b>\$ 2,000,003</b>	<b>\$ 1,252,359</b>

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 JANUARY 2, 2021 AND DECEMBER 28, 2019**

USD in thousands

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,723,541	\$ 1,878,144
Adjustments to reconcile net income to net cash provided by operating activities, net of the impact of acquisitions and divestitures:		
Depreciation and amortization	587,600	588,871
Foreign exchange (gain) loss, net	127,704	14,650
(Gain) loss on sale of businesses, net	—	1,775
(Gain) loss on investments	(46,763)	(89,196)
Deferred income taxes	(55,722)	(3,128)
Earnings from equity method investment	(96,172)	(70,697)
Changes in current assets and liabilities:		
Changes in accounts receivable	116,806	54,084
Changes in inventories	(8,417)	(77,813)
Changes in accounts payable and accrued liabilities	344,153	172,887
Changes in income taxes receivable and payable	(20,865)	45,391
Changes in other current assets and liabilities	45,264	(35,820)
Changes in other noncurrent associate benefit assets and liabilities	(229,740)	(190,315)
Changes in other noncurrent assets and liabilities	53,431	3,536
Dividends from equity method investment	122,066	—
Net cash provided by operating activities	2,662,886	2,292,369
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(534,069)	(601,366)
Property, plant and equipment disposal proceeds	24,068	9,443
Purchases of investments	(7,249)	(10,152)
Sales of investments	3,283	26,193
Acquisition of business	4,466	(299,664)
Investments in unconsolidated entities	(37,821)	(199,079)
Net cash used in investing activities	(547,322)	(1,074,625)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term debt	(1,003)	(955)
Dividends paid	(33,623)	(184,832)
Net transfers to Mars	(2,289,723)	(972,121)
Other short-term financing activities	12,774	(97,886)
Acquisition of noncontrolling interest	(5,226)	—
Payments to noncontrolling interest	(1,282)	—
Net cash used in financing activities	(2,318,083)	(1,255,794)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	46,114	126,206
Net increase (decrease) in cash, cash equivalents, and restricted cash	(156,405)	88,156
Cash, cash equivalents, and restricted cash at beginning of year	1,287,856	1,199,700
Cash, cash equivalents, and restricted cash at end of year	\$ 1,131,451	\$ 1,287,856

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



**WRIGLEY INTERNATIONAL HOLDING COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF JANUARY 2, 2021 AND DECEMBER 28, 2019**  
**USD in thousands, except par value and shares**

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,131,451	\$ 1,287,856
Investments	598,339	519,621
Due from Mars, net	8,560,118	8,694,065
Accounts receivable, net of allowances of \$34.038 and \$27.871	605,487	710,992
Inventories	1,490,479	1,411,162
Income taxes receivable	155,741	99,268
Prepaid expenses and other	206,479	285,888
Total current assets	12,748,094	13,008,852
Property, plant and equipment, net	3,466,665	3,382,437
Prepaid associate benefit assets	146,579	119,229
Goodwill	6,355,764	5,933,493
Intangible assets, net	639,874	651,112
Deferred income taxes	1,082,838	905,442
Other assets	1,051,836	1,091,798
<b>TOTAL ASSETS</b>	<b>\$ 25,491,650</b>	<b>\$ 25,092,363</b>
<b>LIABILITIES</b>		
Due to banks	\$ 22,365	\$ 9,069
Current installments on long-term debt	967	968
Current portion of accrued associate benefits	34,739	26,605
Accounts payable and accrued liabilities	5,508,066	4,874,365
Income taxes payable	81,508	157,451
Total current liabilities	5,647,645	5,068,458
Long-term debt, less current installments	2,043	3,001
Accrued associate benefits	3,149,502	2,666,132
Deferred income taxes	69,404	87,916
Other liabilities	823,764	653,512
<b>TOTAL LIABILITIES</b>	<b>9,692,358</b>	<b>8,479,019</b>
<b>STOCKHOLDERS' INVESTMENT</b>		
Common stock, par value \$0.01 per share: 106 shares authorized, issued and outstanding	—	—
Additional paid in capital	17,730,400	17,600,884
Retained earnings	5,042,291	6,255,021
Accumulated other comprehensive income (loss)	(7,066,206)	(7,343,095)
<b>TOTAL WRIGLEY INTERNATIONAL HOLDING COMPANY STOCKHOLDERS' INVESTMENT</b>	<b>15,706,485</b>	<b>16,512,810</b>
Noncontrolling interests	92,807	100,534
<b>TOTAL STOCKHOLDERS' INVESTMENT</b>	<b>15,799,292</b>	<b>16,613,344</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>	<b>\$ 25,491,650</b>	<b>\$ 25,092,363</b>

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 JANUARY 2, 2021 AND DECEMBER 28, 2019**

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 29, 2018	\$ 17,498,825	\$ 6,328,773	\$ (6,618,480)	\$ 17,209,118	\$ 46,345	\$ 17,255,463
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	—	(3,387)	—	—	51,623	51,623
Payments to noncontrolling interest and other	—	—	—	(3,387)	2,519	(868)
Balance, December 28, 2019	\$ 17,600,884	\$ 6,255,021	\$ (7,343,095)	\$ 16,512,810	\$ 100,534	\$ 16,613,344
<b>Comprehensive income (loss)</b>	—	<b>1,723,114</b>	<b>276,889</b>	<b>2,000,003</b>	<b>4,470</b>	<b>2,004,473</b>
<b>Affiliate investment</b>	<b>129,516</b>	—	—	<b>129,516</b>	—	<b>129,516</b>
<b>Affiliate dividends, net</b>	—	<b>(2,953,194)</b>	—	<b>(2,953,194)</b>	—	<b>(2,953,194)</b>
<b>Acquisitions, payments to noncontrolling interest and other</b>	—	<b>17,350</b>	—	<b>17,350</b>	<b>(12,197)</b>	<b>5,153</b>
<b>Balance, January 2, 2021</b>	<b>\$ 17,730,400</b>	<b>\$ 5,042,291</b>	<b>\$ (7,066,206)</b>	<b>\$ 15,706,485</b>	<b>\$ 92,807</b>	<b>\$ 15,799,292</b>

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 JANUARY 2, 2021 AND DECEMBER 28, 2019  
(USD in thousands, unless otherwise noted)

**NOTE 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 an 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 year ended December 28, 2019, 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 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. All intercompany accounts and transactions are eliminated in consolidation.

The Company's fiscal year consists of 52 or 53 weeks. The fiscal years ended January 2, 2021 and December 28, 2019 are 53 and 52 weeks, respectively.

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 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. The standard is effective for the Company in its fiscal year-end annual 2022 consolidated financial statements and 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.

##### *Cash and Cash Equivalents*

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

##### *Cash Flows*

Cash payments for interest were \$5 million and \$9 million for the years ended January 2, 2021 and December 28, 2019, respectively. Net cash payments for income taxes were \$799 million and \$752 million for the years ended January 2, 2021 and December 28, 2019, respectively.

The Company engaged in significant non-cash financing activities mainly with related parties. These non-cash transactions are described in Note 12 “Related Party”.

##### *Revenue Recognition*

The Company recognizes revenue when performance obligations are satisfied. The Company considers all 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 promises to sell and deliver products.

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 rather than at the individual contract level. The result of these estimates impact 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 changes in estimate.

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 income (loss), net of tax. Realized gains and losses on the sale of debt securities are 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.

### *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 net realizable value. The Company uses the first-in, first-out method in determining the majority of its inventory costs.

Inventories consist of the following as of January 2, 2021 and December 28, 2019 respectively:

	2020	2019
Finished goods	\$ 1,096,590	\$ 1,064,317
Raw materials	393,889	346,845
	<u>\$ 1,490,479</u>	<u>\$ 1,411,162</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 January 2, 2021 and December 28, 2019, was \$506 million and \$445 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*

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	2 to 6

### *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 December 31<sup>st</sup>, the Company measures the assets and obligations of the defined benefit plan using December 31<sup>st</sup>.

### *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 January 2, 2021 and December 28, 2019, respectively other assets included capitalized software costs as follows:

	2020	2019
Capitalized software	\$ 318,954	\$ 238,824
Less: accumulated amortization	(167,532)	(123,849)
	<u>\$ 151,422</u>	<u>\$ 114,975</u>

Amortization expense associated with capitalized software during the years ended January 2, 2021 and December 28, 2019 was \$35 million and \$21 million, respectively.

#### *Advertising Costs*

Advertising costs are expensed in the period incurred. Advertising costs of \$749 million and \$739 million for the years ended January 2, 2021 and December 28, 2019, 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 \$220 million and \$210 million for the years ended January 2, 2021 and December 28, 2019, 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 (loss), net of tax, 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 7, 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 entered 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.

**NOTE 2 — ACQUISITIONS**

*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 \$295 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 and the existing revolver agreement. 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.

In 2020, the Company finalized the purchase price allocation of foodspring with no material changes from the 2019 consolidated financial statements. The table below summarizes the final purchase price assigned to the acquired assets and assumed liabilities:

Cash acquired	\$	1,801
Other current assets		31,805
Property, plant, and equipment		634
Other noncurrent assets		233
Intangible assets:		
Trademarks – finite-lived		78,159
Customer relationships		28,422
Other intangible assets		5,170
Goodwill		254,947
Total assets acquired		401,171
Total current liabilities assumed		(19,686)
Total long-term liabilities assumed		(33,609)
Net assets acquired		347,876
Noncontrolling interest		(50,843)
Company acquired interest	\$	297,033

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.

### NOTE 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 \$525 million and \$665 million as of January 2, 2021 and December 28, 2019, respectively, is recorded in other assets in the Consolidated Balance Sheet.

The Company acquired a 24% ownership interest in Ringpai Pet Hospital Management Co., Ltd (“Ringpai”) for consideration of \$33 million and \$199 million in 2020 and 2019, respectively, through cash on hand. The investment 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) loss, net in the Consolidated Statements of Income. The investment in Ringpai of \$262 million and \$200 million as of January 2, 2021 and December 28, 2019, respectively, is classified as a level 3 fair value asset and is presented as Other in the fair value hierarchy tables within Note 4, Investments.

#### NOTE 4 — INVESTMENTS

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

	Location on the Consolidated Balance Sheet	2020	2019
Available-for-sale securities			
Corporate Debt Securities	Investments	\$ 44,001	\$ 36,908
Corporate Debt Securities	Other assets	—	3,993
Total available-for-sale securities		44,001	40,901
Equity Securities with Readily Determinable Fair Values			
Equity Securities	Investments	554,338	482,713
Equity Securities	Other Assets	9,931	15,927
Total Equity Securities with Readily Determinable Fair Values		564,269	498,640
Other long-term investments	Other assets	21,076	22,381
Total investments		\$ 629,346	\$ 561,922

Gross realized gains and losses on the sales of investments were \$0.4 million and \$0 million, respectively, for the year ended January 2, 2021 and \$13 million and \$0 million, respectively, for the year ended December 28, 2019, and have been included in investment (income) loss, net in the Consolidated Statements of Income.

##### Debt Securities

As of January 2, 2021, the Company's investments in available-for-sale debt securities were as follows:

	Cost Basis	Unrealized Gain	Unrealized Loss	Fair Market Value
Corporate Debt Securities	\$ 40,315	\$ 3,686	—	\$ 44,001

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

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

The Company's investments in available-for-sale debt securities of \$44 million and \$41 million as of January 2, 2021 and December 28, 2019, respectively, mature between 5 and 10 years.

### Equity Securities

As of January 2, 2021 and December 28, 2019, the carrying value of our equity securities with readily determinable fair values were as follows:

	2020		2019	
	Cost Basis	Fair Market Value	Cost Basis	Fair Market Value
Marketable Securities	\$ 340,732	\$ 564,269	\$ 312,954	\$ 491,225
Other Investments	12,415	13,095	7,415	7,415
<b>Total Securities</b>	<b>\$ 353,147</b>	<b>\$ 577,364</b>	<b>\$ 320,369</b>	<b>\$ 498,640</b>

The calculation of net unrealized gains and losses recognized during the year related to equity securities still held at January 2, 2021 and December 28, 2019, is as follows:

	2020	2019
Net gains (losses) recognized during the period related to equity securities	\$ 37,797	\$ 90,355
Less: Net gains (losses) recognized during the period related to the equity securities sold during the year	396	12,884
<b>Net unrealized gains (losses) recognized during the period related to equity securities still held at the end of the year</b>	<b>\$ 37,401</b>	<b>\$ 77,471</b>

Investments measured at fair value on a recurring basis were categorized as follows at January 2, 2021:

	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ 60,403	\$ 503,866	\$ —	\$ 564,269
Corporate Debt Securities	—	44,001	—	44,001
Other Investments	13,095	—	—	13,095
<b>Total Investments measured at Fair Value</b>	<b>\$ 73,498</b>	<b>\$ 547,867</b>	<b>\$ —</b>	<b>\$ 621,365</b>

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 Investments	3,102	4,313	—	7,415
<b>Total Investments measured at Fair Value</b>	<b>\$ 58,763</b>	<b>\$ 480,778</b>	<b>\$ —</b>	<b>\$ 539,541</b>

**NOTE 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 January 2, 2021 were as follows:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 15,096,116	\$ 9,882
Fair value of plan assets	12,087,508	—
Funded status	\$ (3,008,608)	\$ (9,882)
Accumulated benefit obligation	\$ 14,314,845	N/A

Weighted-average assumptions to determine benefit obligations:

Discount rate	1.22 %	1.45 %
Rate of increase in future compensation levels	3.53 %	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 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	\$ (2,545,446)	\$ (9,506)
Accumulated benefit obligation	\$ 12,155,163	N/A

Weighted-average assumptions to determine benefit obligations:

Discount rate	1.68 %	1.59 %
Rate of increase in future compensation levels	3.48 %	N/A

Pension and other postretirement benefit plans with obligations in excess of plan assets as of January 2, 2021 consist of the following:

	Pension plans	Other postretirement benefit plans
Benefit obligation	\$ 7,503,966	\$ 9,882
Fair value of plan assets	4,348,779	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 accumulated benefit obligations in excess of plan assets as of January 2, 2021 consist of the following:

	Pension plans	Other postretirement benefit plans
Accumulated benefit obligation	\$ 4,885,141	N/A
Fair value of plan assets	2,263,811	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:

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

Net periodic benefit (income) cost, and related assumptions, contributions and benefits paid for the year ended January 2, 2021 were as follows:

	Pension plans	Other postretirement benefit plans
Net periodic benefit (income) cost	\$ 23,424	\$ (1,454)
Employer contributions	227,996	674
Participant contributions	1,020	—
Benefits paid	395,737	674

Weighted-average assumptions to determine net periodic benefit (income) cost:

Discount rate	1.68 %	1.59 %
Expected long-term rate of return on plan assets	7.25 %	N/A
Rate of increase in future compensation levels	3.48 %	N/A

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

	Pension plans	Other postretirement benefit plans
Net periodic benefit (income) cost	\$ (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 (income) 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

The components of net periodic benefit (income) cost 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 January 2, 2021 and December 28, 2019, the Company's net periodic benefit cost included losses of \$2 million and \$2 million, respectively, related to the settlement and curtailment of certain pension plan obligations.

For measurement purposes related to the other postretirement benefit plans, a 4.9% 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 January 2, 2021 and December 28, 2019. The healthcare cost trend rates are projected to remain constant at 4.9%.

Amounts recognized on the Consolidated Balance Sheet as of January 2, 2021 consisted of:

	Pension plans	Other postretirement benefit plans
Prepaid associate benefit assets	\$ 146,579	\$ —
Current portion of accrued associate benefits	33,736	704
Accrued associate benefits, noncurrent	3,121,451	9,178
Accumulated other comprehensive income (loss):		
Net gain (loss)	(5,415,584)	(2,306)
Net prior service (cost) credit	(46,533)	1
Deferred income tax	1,347,667	438
Accumulated other comprehensive income (loss), net of tax	\$ (4,114,450)	\$ (1,867)



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 income (loss):		
Net gain (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 income (loss), net of tax	\$ (3,504,222)	\$ (511)

Amounts recognized in other comprehensive income for the year ended January 2, 2021 consisted of:

	Pension plans	Other postretirement benefit plans
Reclassification to net income:		
Amortization of net (gain) loss	\$ 331,051	\$ 166
Amortization of prior service cost (credit)	6,281	(1,767)
Other movements during the year:		
Net gain (loss)	(1,103,251)	(231)
Net prior service (cost) credit	(5,582)	(36)
Other comprehensive income (loss), gross	(771,501)	(1,868)
Deferred income tax	161,273	512
Other comprehensive income (loss), net of tax	\$ (610,228)	\$ (1,356)

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

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

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 2021 are \$410

million and \$8 million, respectively. There are no net losses or 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 2021.

#### 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.

Pension plan assets measured at fair value as of January 2, 2021 were as follows:

Assets at fair value included in the fair value hierarchy

	Level 1	Level 2	Level 3 <sup>(g)</sup>	Other	Total
Equity securities <sup>(a)</sup>	\$1,037,115	\$ 92,076	\$ —	\$3,111,441	\$ 4,240,632
Government debt securities <sup>(b)</sup>	48,801	1,384,745	—	535,493	1,969,039
Corporate debt securities <sup>(b)</sup>	130,877	1,528,272	27	381,660	2,040,836
Real estate <sup>(c)</sup>	56,448	—	—	578,147	634,595
Hedge funds <sup>(d)</sup>	14,540	—	—	1,201,083	1,215,623
Private equity <sup>(e)</sup>	39,248	—	—	1,202,859	1,242,107
Cash and cash equivalents	453,200	—	—	—	453,200
Other <sup>(f)</sup>	23,246	234,153	—	34,077	291,476
<b>Total</b>	<b>\$1,803,475</b>	<b>\$3,239,246</b>	<b>\$ 27</b>	<b>\$7,044,760</b>	<b>\$12,087,508</b>

The fair value descriptions for items (a) through (g), presented after the final fair value table, pertain to all plan asset fair value tables in Note 5, Pension and other postretirement plans. The Other column includes certain investments that are measured at fair value using the NAV per share

(or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in the tables 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 <sup>(a)</sup>	Other	Total
Equity securities <sup>(a)</sup>	\$1,007,579	\$ —	\$ —	\$2,290,630	\$ 3,298,209
Government debt securities <sup>(b)</sup>	45,915	1,149,531	—	498,008	1,693,454
Corporate debt securities <sup>(b)</sup>	134,495	1,332,753	207	290,642	1,758,097
Real estate <sup>(c)</sup>	51,516	—	—	544,148	595,664
Hedge funds <sup>(d)</sup>	30,484	—	—	1,530,875	1,561,359
Private equity <sup>(e)</sup>	36,946	—	—	993,347	1,030,293
Cash and cash equivalents	519,403	—	—	—	519,403
Other <sup>(f)</sup>	65,297	94,550	—	—	159,847
<b>Total</b>	<b>\$1,891,635</b>	<b>\$2,576,834</b>	<b>\$ 207</b>	<b>\$6,147,650</b>	<b>\$10,616,326</b>

- (a) For investments measured at fair value, this asset category is principally actively managed and consists foreign 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 expansion and maturity stage capital (Growth and Buyout), early stage capital (Venture Capital) and Special Situations. The Growth and Buyout allocations comprise the majority of investments at approximately 74% of holdings with the remaining 26% split between Venture Capital and other Special Situations. 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 fair value determined by quantitative models primarily based on market observable inputs including market interest rate curves and referenced credit spreads. 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 defined benefit pension plans and other postretirement benefit plans for the next fiscal year are expected to be \$101 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
2021	\$ 427,532	\$ 687
2022	404,886	673
2023	420,733	660
2024	432,542	662
2025	444,957	663
2026-2030	2,416,146	2,544

#### 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 \$50 million and \$49 million for the years ended January 2, 2021 and December 28, 2019, respectively.

## **NOTE 6 — 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 and credit carryforwards, and valuation allowances have been provided for those losses and credits that are not expected to be realized. Benefits of net operating loss carryforwards of \$42 million have various expiration dates through the year 2040, and \$65 million have no expiration dates. Benefits of U.S. foreign tax credit carryforwards of \$67 million expire in 2029 and 2030.

As of January 2, 2021 and December 28, 2019, the components of deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred tax assets	\$ 1,250,560	\$ 1,018,880
Valuation allowance	(167,722)	(113,438)
Net deferred tax assets	<u>1,082,838</u>	<u>905,442</u>
Deferred tax liability	69,404	87,916
Deferred tax assets, net	<u>\$ 1,013,434</u>	<u>\$ 817,526</u>

As of January 2, 2021 and December 28, 2019, the components of the provision for income taxes were as follows:

	2020	2019
Current tax provision	\$ 754,067	\$ 792,126
Deferred tax provision	(55,722)	(3,128)
Total tax provision	<u>\$ 698,345</u>	<u>\$ 788,998</u>

The effective tax rates are 28.8% and 29.6% for 2020 and 2019, respectively. The 2020 effective tax rate varies from the U.S. statutory tax rate primarily due to differences related to the taxation of foreign operations and changes in uncertain tax positions. The 2019 effective tax rate varies from the U.S. statutory tax rate primarily due to differences related to the taxation of foreign operations.

Reserves for uncertain tax positions have been classified as other non-current liabilities in the Consolidated Balance Sheets unless expected to be paid within one year. The net interest expense and penalties of \$23 million and \$27 million have been included in the Consolidated Statements of Income for the years ended January 2, 2021 and December 28, 2019, 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 \$151 million and \$127 million have been included in non-current other liabilities in the Consolidated Balance Sheets as of January 2, 2021 and December 28, 2019, 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 (2014 onward), U.K. (2019 onward), and the U.S. (2014 onward).

#### NOTE 7 — FINANCIAL INSTRUMENTS

The notional amounts of foreign exchange contracts and commodity contracts outstanding at January 2, 2021 were \$414 million and \$514 million, respectively. The notional amounts of foreign exchange contracts and commodity contracts outstanding at December 28, 2019 were \$306 million and \$601 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 was 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. In April 2020, the Company settled all of its fixed cross-currency swaps designated as net investment hedges through a noncash transaction for \$65 million with its parent which resulted in a reduction of Due from Mars, net.

As of January 2, 2021, the following derivatives were recorded on the Consolidated Balance Sheet:

	Asset <i>fair value</i>	Liability <i>fair value</i>
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	\$ 1,029	\$ 8,788
Commodity contracts	2,543	—
	<b>\$ 3,572</b>	<b>\$ 8,788</b>

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

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

Location on the Consolidated Balance Sheet	2020	2019
Current derivative assets included within prepaid expenses and other	\$ 1,392	\$ 36,622
Noncurrent derivative assets included within other assets	2,180	8,955
Current derivative liabilities included within accounts payable and accrued liabilities	8,788	3,501
Noncurrent derivative liabilities included within other liabilities	—	14,629

#### 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 changes in spot rates are reported as cumulative translation adjustments in other comprehensive (loss) income, 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) 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 January 2, 2021:

	Gross gain (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	\$ (108,297)	Interest income from Mars, net	\$ 9,045

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 January 2, 2021.

For the year ended December 28, 2019:

	Gross gain (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

#### 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 January 2, 2021 and December 28, 2019 was:

	Location of gain (loss) recognized in income on derivatives	Gain (loss) recognized in income on derivatives	
		2020	2019
Foreign exchange contracts	Cost of Sales	\$ (31,756)	\$ 9,510
Foreign exchange contracts	Selling, general and administrative expense	3,045	(2,237)
Commodity contracts	Cost of Sales	(201)	6,451
		<b>\$ (28,912)</b>	<b>\$ 13,724</b>

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 January 2, 2021:

	Gross amounts of recognized assets/liabilities			Gross amounts offset in the Consolidated Balance Sheet <sup>(1)</sup>	Net amounts presented on the Consolidated Balance Sheet	Gross amounts not offset in the Consolidated Balance Sheet		
	Level 1	Level 2	Level 3			Cash collateral		Net amount
<u>Assets</u>								
Foreign exchange contracts	\$ —	\$ 6,203	\$ —	\$ (5,174)	\$ 1,029	\$ —		\$ 1,029
Commodity Contracts	2,319	906	—	(682)	2,543	—		2,543
	\$ 2,319	\$ 7,109	\$ —	\$ (5,856)	\$ 3,572	\$ —		\$ 3,572
<u>Liabilities</u>								
Foreign exchange contracts	\$ —	\$ 13,962	\$ —	\$ (5,174)	\$ 8,788	\$ —		\$ 8,788
Commodity Contracts	618	64	—	(682)	—	—		—
	\$ 618	\$ 14,026	\$ —	\$ (5,856)	\$ 8,788	\$ —		\$ 8,788



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 <sup>(1)</sup>	Net amounts presented on the Consolidated Balance Sheet	Gross amounts not offset in the Consolidated Balance Sheet	
	Level 1	Level 2	Level 3			Cash collateral	Net amount
<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>

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

#### NOTE 8 — PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of the following at January 2, 2021 and December 28, 2019:

	2020	2019
Land	\$ 214,749	\$ 194,726
Buildings and fixtures	2,320,396	2,089,176
Machinery and equipment	5,602,958	5,083,798
Construction in progress	534,756	610,544
	<u>8,672,859</u>	<u>7,978,244</u>
Accumulated depreciation	(5,206,194)	(4,595,807)
	<u>\$ 3,466,665</u>	<u>\$ 3,382,437</u>

## NOTE 9 — GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying value of goodwill for the years ended January 2, 2021 and December 28, 2019 were as follows:

	2020	2019
Balance, beginning of year:		
Gross carrying amount	\$ 5,949,246	\$ 5,785,152
Accumulated impairment losses	(15,753)	(15,753)
	<u>5,933,493</u>	<u>5,769,399</u>
Goodwill acquired	(871)	255,818
Foreign exchange fluctuations	423,142	(91,724)
Balance, end of year:	<u>\$ 6,355,764</u>	<u>\$ 5,933,493</u>

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

	2020		2019	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Finite-lived:				
Trademarks	\$ 841,504	\$ 326,039	\$ 782,541	\$ 275,731
Customer relationships and referral network	2,990,884	2,878,587	2,812,545	2,682,922
Patents and technology	11,235	6,133	11,547	5,171
Other	84,483	77,473	81,557	73,254
	<u>3,928,106</u>	<u>3,288,232</u>	<u>3,688,190</u>	<u>3,037,078</u>
Total	<u>\$ 3,928,106</u>	<u>\$ 3,288,232</u>	<u>\$ 3,688,190</u>	<u>\$ 3,037,078</u>

Amortization expense for each of the next five years is estimated to be \$50 million, \$46 million, \$44 million, \$37 million and \$35 million.

## NOTE 10 — RESTRUCTURING

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 29, 2018	\$ 87,417	\$ 8,934	\$ 96,351
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	\$ 71,188	\$ 8,489	\$ 79,677
Expense	69,669	7,494	77,163
Payments	(94,323)	(6,872)	(101,195)
Foreign exchange fluctuations	3,768	737	4,505
Balance, January 2, 2021	\$ 50,302	\$ 9,848	\$ 60,150

Restructuring charges of \$56 million and \$21 million were recorded during 2020 in selling, general and administrative expense and cost of sales, respectively, for various restructuring plans.

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. 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.

## NOTE 11 — 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 partnerships not to exceed \$566 million, of which \$543 million remains committed and unfunded at January 2, 2021.

The Company has entered into agreements to lease certain offices, 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 \$105 million and \$116 million for the years ended January 2, 2021 and December 28, 2019, respectively. The following is a summary of future minimum lease payments for all capital leases and operating leases as of January 2, 2021:

	Capital leases	Operating leases	Total
2021	\$ 8,021	\$ 93,929	\$ 101,950
2022	8,142	74,178	82,320
2023	8,278	54,374	62,652
2024	8,262	30,512	38,774
2025	8,279	24,944	33,223
Thereafter	79,246	115,029	194,275
Total minimum lease payments	120,228	\$ 392,966	\$ 513,194
Amounts representing interest	(49,651)		
Present value of minimum lease payments	70,577		
Current portion of obligations under capital leases	(8,021)		
Long-term portion of obligations under capital leases	\$ 62,556		

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 2029. 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 January 2, 2021:

	Purchase obligations
2021	\$ 94,243
2022	48,458
2023	20,532
2024	18,476
2025	14,190
Thereafter	21,491
Total	\$ 217,390

## NOTE 12 — RELATED PARTY

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 January 2, 2021 and December 28, 2019 transactions with related parties were as follows:

In thousands	Location on the Financial Statements	2020	2019
Sales	Net Sales	1,121,733	1,160,627
Purchases	Cost of products sold and inventory	1,737,443	1,997,064
Shared service costs, management fees, technology fees, and other charges	Selling, general, and administrative expenses	382,948	553,221
Interest (income) expense (from) with Mars, net	Interest (income) expense (from) with Mars, net	(185,539)	(199,792)

As of January 2, 2021 and December 28, 2019, WIHC has a net receivable due from Mars of \$8.560 million and \$8.694 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 January 2, 2021 and December 28, 2019, WIHC made non-cash dividends to Mars of \$2.920 million and \$1.863 million, respectively. During the years ended January 2, 2021 and December 28, 2019 Mars made non-cash investments in WIHC of \$45 million and \$24 million, respectively. These non-cash dividends and affiliate investments are included in the Consolidated Statement of Stockholders' Investment.

Cash receipts for affiliate interest were \$5 million and \$23 million for the years ended January 2, 2021 and December 28, 2019, 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 ¥1.650 million from WIHC's Chinese subsidiary (Mars Wrigley Confectionery (China) Ltd). The credit facility matured on December 7, 2020, and was automatically extended for 12 months. The borrowings under the facility bear an interest rate of 2% with an auto-extending maturity date of no later than December 7, 2021. As of January 2, 2021 and December 28, 2019, the Mars subsidiary in China had borrowings of ¥610 million and ¥500 million, respectively.

# NOTE 13 — ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss, net of tax, at January 2, 2021 and December 28, 2019 were as follows:

	Foreign currency translation adjustments	Unrealized gain on investments	Pension and other post- retirement benefits	Total
Balance, December 29, 2018	\$ (3,961,935)	\$ 101,569	\$ (2,758,114)	\$ (6,618,480)
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	\$ (3,841,632)	\$ 3,270	\$ (3,504,733)	\$ (7,343,095)
Other comprehensive income (loss) before reclassification	888,057	416	(864,488)	23,985
Reclassification from other comprehensive loss	—	—	252,904	252,904
Other comprehensive income (loss), net	888,057	416	(611,584)	276,889
Balance, January 2, 2021	\$ (2,953,575)	\$ 3,686	\$ (4,116,317)	\$ (7,066,206)

The components of comprehensive income for the year ended January 2, 2021 were as follows:

	Total WIHC	Noncontrolling interests	Total
Net income	\$ 1,723,114	\$ 427	\$ 1,723,541
Cumulative translation adjustments, net of tax benefit of \$22,305	888,057	4,043	892,100
Unrealized gain on investments:			
Unrealized gains arising during the period, net of tax expense of \$83	416	—	416
Net change in pension and other postretirement expense, net of tax benefit of \$161,785 <sup>(a)</sup>	(611,584)	—	(611,584)
Comprehensive income	\$ 2,000,003	\$ 4,470	\$ 2,004,473

- (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 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 <sup>(a)</sup>	(746,619)	—	(746,619)
Comprehensive income	\$ 1,252,359	\$ 47	\$1,252,406

(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 January 2, 2021 and December 28, 2019:

Description of Accumulated Other Comprehensive Loss Components	Location of (Gain) Loss Recognized in the Statements of Income	Amounts Reclassified from Accumulated Other Comprehensive Loss	
		2020	2019
Pension and Other Postretirement Benefits			
Net loss	(b)	\$ 331,217	\$ 201,272
Net prior service cost	(b)	4,514	4,519
Net transition asset	(b)	—	—
	Total before tax	335,731	205,791
	Tax benefit	82,827	61,896
	Net of tax	\$ 252,904	\$ 143,895

(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.

#### NOTE 14 — SUBSEQUENT EVENTS

The Company evaluated subsequent events through June 15, 2021 the date the Consolidated Financial Statements were available to be issued, for conditions both existing and not existing as of January 2, 2021 and concluded there were no subsequent events to recognize and no additional subsequent events to disclose.