

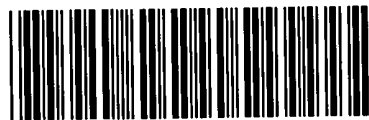
Registered number: 06649982

Mars Chocolate UK Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2016

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Mars Chocolate UK Limited

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Mars Chocolate UK Limited

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016

The directors present their Strategic Report on the company for the period ended 31 December 2016.

Principal activities

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

Business review and future developments

The profit for the financial period amounted to £139,129,000 (2015: £130,478,000). As at 31 December 2016 the company had net assets of £681,629,000 (2015: £729,408,000).

Dividends of £nil (2015: £nil) have been proposed and paid to holders of the ordinary shares, this represents £nil per share (2015: £nil per share).

The performance for the period reflects the investment into products, brands, processes and consumer 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.

Mars, Incorporated has announced the intention to combine Mars Chocolate UK Limited's operations with those of The Wrigley Company Limited. No further information on what this means for the operations of Mars Chocolate UK Limited and The Wrigley Company Limited's operations has been made available.

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;
- as a consequence of government concerns about rising levels of obesity, potential regulations that could restrict our freedom to manufacture and market our products;
- pricing pressure as a result of the consolidation of the trade;
- the need for the company to contribute significant additional funding to the company's pension plans in the event that the investment performance or changes in actuarial assumptions of the pension funds result in the plans being under-funded.

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

Mars Chocolate UK Limited

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

Financial key performance indicators

	31 December 2016 £'000s	2 January 2016 £'000s
Turnover	884,939	848,058
Profit on ordinary activities before taxation	169,337	152,513
Gross profit margin (%)	26	25
Operating profit margin (%)	18	18

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

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, credit risk, counterparty risk, interest rate risk, liquidity risk and foreign exchange risk. The company seeks to limit the adverse effects on the financial performance of the company by monitoring the impact of these and addressing them accordingly.

The company acts as a commodity centre entering into commodity arrangements to hedge commodity price risk exposure for the company and on behalf of fellow subsidiary companies.

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. Suitable derivative instruments are used to hedge the price risk and such instruments are traded on internationally recognised exchanges. Commodity future contracts are held under margin call agreements, which requires the fair value of outstanding trades to be settled in cash on a daily basis. The company enters into commodity arrangements on behalf of fellow subsidiary companies within the group and these external trades are passed down to the relevant fellow subsidiary company through the use of "back to back" trades, which are on identically mirrored terms

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Ongoing review of credit checks are made on customers depending on changes in trading relationships, information received from other sources and time elapsed from previous information obtained

Counterparty risk

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

Interest rate risk

The main exposure to interest rate risk is the inter-company balances. Interest is charged at a rate of up to 1% above the 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

Mars Chocolate UK Limited

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2016**

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.

This report was approved by the board on 27 April 2017 and signed on its behalf.



**C Williams
Director**

Mars Chocolate UK Limited

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2016**

The directors present their report and the financial statements for the period ended 31 December 2016. The results represent the 52 week period ended 31 December 2016, whereas the comparatives represent the 53 week period ended 2 January 2016 ("2015").

Results and dividends

The profit for the financial period, amounted to £139,129,000 (2015: £130,478,000).

The directors have not paid or proposed a dividend to holders of the ordinary shares in the period (2015: £nil).

Directors

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

I Langer
C Williams
K Brockman (Resigned 25 May 2016)
D Haines
P Owings
M Page
B Maquivar Gallardo
A Parton (Appointed 9 August 2016)

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.

Financial risk management

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

Future developments

Details of future developments are shown in the strategic report.

Political contributions

No political donations were made during the period (2015: £nil).

Going concern

Details of going concern are shown in the accounting policies.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2016**

Associates

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

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

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

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

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

Directors' responsibilities statement

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Mars Chocolate UK Limited

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2016**

Disclosure of information to independent auditors

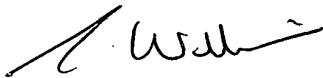
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Independent auditors

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

This report was approved by the board on 27 April 2017 and signed on its behalf.



C Williams
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARS CHOCOLATE UK LIMITED

Report on the financial statements

Our opinion

In our opinion, Mars Chocolate UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the period then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- statement of financial position as at 31 December 2016;
- income statement and statement of comprehensive income for the period then ended;
- statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Mars Chocolate UK Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARS CHOCOLATE UK LIMITED

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs UK & Ireland"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

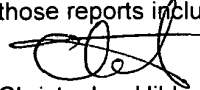
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.


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

05 May 2014

Mars Chocolate UK Limited

**INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	Note	52 weeks ended 31 December 2016 £000	53 weeks ended 2 January 2016 £000
Turnover	4	884,939	848,058
Cost of sales		(656,450)	(631,904)
Gross profit		228,489	216,154
Distribution costs		(32,430)	(29,988)
Administrative expenses		(37,188)	(38,729)
Other operating income	9	1,213	1,335
Operating profit	7	160,084	148,772
Interest receivable and similar income	10	6,345	6,840
Interest Payable And Similar Charges	11	(25)	(20)
Other finance income/ (costs)	12	2,933	(3,079)
Profit on ordinary activities before taxation		169,337	152,513
Tax on profit on ordinary activities	13	(30,208)	(22,035)
Profit for the period		139,129	130,478

All amounts relate to continuing operations.

The notes on pages 14 to 45 form part of these financial statements.

Mars Chocolate UK Limited

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	Note	31 December 2016 £000	2 January 2016 £000
Profit for the financial period		139,129	130,478
Other comprehensive (expense) / income			
Actuarial (loss)/ gain on defined benefit schemes	24	(227,115)	125,622
Movement on deferred tax relating to pension (losses)/ gains	21 20	30,433	(35,837)
Movement on current tax relating to pension (losses)/ gains		9,774	11,906
Other comprehensive (expense) / income for the period		(186,908)	101,691
Total comprehensive (expense)/ Income for the period		(47,779)	232,169

The notes on pages 14 to 45 form part of these financial statements.

Mars Chocolate UK Limited
REGISTERED NUMBER:06649982

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 £000	2 January 2016 £000
Fixed assets			
Intangible assets	14	578	453
Tangible assets	15	89,096	87,008
		<u>89,674</u>	<u>87,461</u>
Current assets			
Stocks	16	41,774	39,351
Debtors: amounts falling due within one year	17	982,299	840,768
Pension asset due after more than one year	24	-	124,632
Cash at bank and in hand		3,512	7,698
		<u>1,027,585</u>	<u>1,012,449</u>
Creditors: amounts falling due within one year	18	(298,550)	(283,557)
Net current assets		<u>729,035</u>	<u>728,892</u>
Total assets less current liabilities		<u>818,709</u>	<u>816,353</u>
Creditors: amounts falling due after more than one year	19	(7,973)	(5,424)
Provisions for liabilities			
Deferred taxation	21	-	(12,282)
Pension liability	24	(129,107)	(69,239)
		<u>(129,107)</u>	<u>(81,521)</u>
Net assets		<u><u>681,629</u></u>	<u><u>729,408</u></u>
Capital and reserves			
Called up share capital	22	37,074	37,074
Retained earnings		644,555	692,334
Total equity		<u><u>681,629</u></u>	<u><u>729,408</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2017.

C Williams
Director



The notes on pages 14 to 45 form part of these financial statements.

Mars Chocolate UK Limited

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	Called up share capital £000	Retained earnings £000	Total equity £000
At 3 January 2016	37,074	692,334	729,408
Comprehensive income for the period			
Profit for the financial period	-	139,129	139,129
Actuarial loss on defined benefit schemes	-	(227,115)	(227,115)
Movement on deferred tax relating to pension losses	-	30,433	30,433
Movement on current tax relating to pension losses	-	9,774	9,774
Other comprehensive expense for the period	-	(186,908)	(186,908)
Total comprehensive expense for the period	-	(47,779)	(47,779)
At 31 December 2016	37,074	644,555	681,629

The notes on pages 14 to 45 form part of these financial statements.

Mars Chocolate UK Limited

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 2 JANUARY 2016**

	Called up share capital £000	Retained earnings £000	Total equity £000
At 28 December 2014	37,074	460,165	497,239
Comprehensive income for the period			
Profit for the financial period	-	130,478	130,478
Actuarial gain on defined benefit schemes	-	125,622	125,622
Movement on deferred tax relating to pension gains	-	(35,837)	(35,837)
Movement on current tax relating to pension gains	-	11,906	11,906
Other comprehensive income for the period	-	101,691	101,691
Total comprehensive income for the period	-	232,169	232,169
At 2 January 2016	37,074	692,334	729,408

The notes on pages 14 to 45 form part of these financial statements.

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

1. General Information

Mars Chocolate UK Limited ('the Company') manufactures and sells snack related products. The Company is a private company limited by shares and is incorporated in England. The address of its registered office is 3D Dundee Road, Slough, Berkshire, SL1 4LG.

The financial statements of Mars Chocolate UK Limited 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. The financial statements for the year 31 December 2016 are the first financial statements of the company prepared in accordance with FRS 102. The date of transition to FRS 102 was 28 December 2014. Details of the transition to FRS 102 are disclosed in note 27.

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 United Kingdom and the Republic of Ireland (FRS102) 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 judgements in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas with assumptions and estimates significant to the financial statements are disclosed in note 3.

2.2 Going concern

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Summary of significant accounting policies (continued)

2.3 Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, required under FRS102 paragraph 1.12 (b), on the basis that it is a qualifying entity and its ultimate parent company, Effem Holdings Limited, includes the company's cash flows in its own consolidated financial statements;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- (iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

2.4 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Summary of significant accounting policies (continued)

2.5 Turnover

Turnover comprises sales to customers (excluding VAT) and is stated at amounts invoiced to customers after returns, 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.

2.6 Interest Income

Interest income 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

(ii) Financial liabilities

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

Debt instruments are subsequently carried at amortised cost, using 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

Derivatives, including future commodity contracts and forward foreign exchange contracts, 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 commodity contracts and forward foreign exchange contracts are recognised in the income statement in cost of sales.

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

The company does not apply hedge accounting for derivatives.

(iv) Offsetting

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

2.8 Research and development

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

2.9 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Summary of significant accounting policies (continued)

2.10 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.

2.11 Intangible assets

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

- Software – 3 years

Amortisation is charged to the income statement.

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

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

2.12 Tangible fixed assets

Tangible fixed 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
Freehold property	- 5-10% per annum
Plant & machinery	- 10-50% per annum

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

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

Tangible fixed 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Summary of significant accounting policies (continued)

2.13 Leased assets: the Company as lessee

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Assets obtained under hire purchase contracts and finance leases are capitalised at the commencement of the lease as tangible fixed assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the company's incremental borrowing rate is used. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.14 Pensions and deferred cash promises

Mars Chocolate UK Limited 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 plan

Mars Chocolate UK Limited 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 FRS102 paragraph 28.11, Mars Chocolate UK Limited 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Summary of significant accounting policies (continued)

2.14 Pensions and deferred cash promises (continued)

(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) Defined benefit plan

The company operates a non-contributory, self administered defined benefit pension plan, which is unfunded. The promise is recognised in full on 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.

(v) Deferred cash promises

The company operates unfunded, non-contributory, self administered deferred cash promise. The promise is recognised in full on 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 on 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 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 when the company is irrevocably committed to the transaction.

2.15 Long-term incentives

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Summary of significant accounting policies (continued)

2.16 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.

2.17 Current taxation

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

2.18 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.

2.19 Provision for liabilities

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Summary of significant accounting policies (continued)

2.20 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.

2.21 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.

2.22 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.

2.23 Related party transactions

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

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.

(i) Defined benefit pension plans and deferred cash promises

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

(ii) Useful economic lives of tangible fixed assets

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

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors.

(vi) 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 snack 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.

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

5. Associates

	31 December 2016 £000	2 January 2016 £000
Wages and salaries	95,761	84,203
Social security costs	11,385	9,539
Other pension costs (note 23)	24,291	25,837
	<u>131,437</u>	<u>119,579</u>

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

	31 December 2016 No.	2 January 2016 No.
Production	413	422
Selling and distribution	455	496
Administration	494	492
	<u>1,362</u>	<u>1,410</u>

6. Directors' remuneration

	31 December 2016 £000	2 January 2016 £000
Directors' emoluments	488	495
Amounts paid to third parties in respect of directors' services	1,190	798
	<u>1,678</u>	<u>1,293</u>

During the period retirement benefits were accruing to 5 directors (2015: 4) in respect of defined benefit pension schemes and to 2 directors (2015: 2) under money purchase schemes.

The highest paid director received remuneration of £902,000 (2015: £788,000).

The value of the defined benefit pension scheme accrued pension in respect of the highest paid director amounted to £nil (2015: £nil).

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

7. Operating profit

The operating profit is stated after charging:

	31 December 2016 £000	2 January 2016 £000
Debtors written off to bad debt provision	(52)	(95)
Research & development charged as an expense	9,434	8,430
Depreciation of tangible fixed assets	15,284	15,815
Rental of property under operating lease	13,530	12,045
Loss on disposal of fixed assets	161	77
Impairment of stock	2,312	2,332
Amortisation of intangible assets	193	88
Stock recognised as an expense	518,165	509,890
Hire of plant and machinery under operating lease	173	152
Derivative financial instrument (gain)	(2,462)	(3,258)

The research and development costs incurred by the company, before recharges made to other group companies were £7,435,000 (2015: £7,479,000).

Derivative financial instrument relates to commodity futures and forward foreign currency contracts that the company enters into to mitigate price and foreign exchange risk.

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

8. Auditors' remuneration

	31 December 2016 £000	2 January 2016 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	133	129
	133	129
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	564	538
All other services	71	70
	635	608

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

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

9. Other operating income

	31 December 2016 £000	2 January 2016 £000
Research and development expenditure credit	391	-
Royalty receivable	822	1,335
	1,213	1,335

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

10. Interest receivable and similar income

	31 December 2016 £000	2 January 2016 £000
Interest receivable from group undertakings	6,313	6,805
Other interest receivable	32	35
	<u>6,345</u>	<u>6,840</u>

11. Interest payable and similar charges

	31 December 2016 £000	2 January 2016 £000
Bank interest payable	25	20
	<u>25</u>	<u>20</u>

12. Other finance (income) / cost

	31 December 2016 £000	2 January 2016 £000
Net interest on net defined benefit pension asset (note 23)	(2,933)	3,079
	<u>(2,933)</u>	<u>3,079</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

13. Tax on profit on ordinary activities

	31 December 2016 £000	2 January 2016 £000
Tax included in profit and loss		
Current tax on profits for the period	31,964	30,490
Adjustments in respect of previous periods	(1,737)	(2,772)
	<u>30,227</u>	<u>27,718</u>
Total current tax	<u>30,227</u>	<u>27,718</u>
Deferred tax		
Origination and reversal of timing differences	(1,311)	(5,607)
Changes to tax rates	(280)	(326)
Adjustments in respect of prior periods	1,572	250
Total deferred tax	<u>(19)</u>	<u>(5,683)</u>
Taxation on profit on ordinary activities	<u>30,208</u>	<u>22,035</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

13. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	31 December 2016 £000	2 January 2016 £000
Profit on ordinary activities before tax	169,337	152,513
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	33,867	30,884
Effects of:		
Adjustment to tax charge in respect of prior period	(165)	(2,523)
Permanent difference	2,704	2,081
Group relief	(5,918)	(8,081)
Changes to tax rate	(280)	(326)
Total tax charge for the period	30,208	22,035

Factors that may affect future tax charges

The Finance Act 2015 and The Finance Act 2016 included legislation to reduce the rate to 19% from 1 April 2017 and 17% from 1 April 2020. The reductions have been enacted at the statement of financial position date and therefore, reflected in these financial statements.

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

14. Intangible assets

	Software £000
Cost	
At 3 January 2016	2,012
Software additions	318
	<hr/>
At 31 December 2016	2,330
	<hr/>
Amortisation	
At 3 January 2016	1,559
Charge for the year	193
	<hr/>
At 31 December 2016	1,752
	<hr/>
Net book value	
At 31 December 2016	578
	<hr/> <hr/>
At 2 January 2016	453
	<hr/> <hr/>

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

15. Tangible assets

	Freehold land & property £000	Plant & machinery £000	Capital work in progress £000	Total £000
Cost or valuation				
At 3 January 2016	35,093	128,852	11,718	175,663
Additions	-	-	17,624	17,624
Disposals	(209)	(8,145)	-	(8,354)
Transfers between classes	659	13,591	(14,250)	-
At 31 December 2016	35,543	134,298	15,092	184,933
Depreciation				
At 3 January 2016	15,030	73,625	-	88,655
Charge for the period on owned assets	2,291	12,993	-	15,284
Disposals	(207)	(7,895)	-	(8,102)
At 31 December 2016	17,114	78,723	-	95,837
Net book value				
At 31 December 2016	18,429	55,575	15,092	89,096
At 2 January 2016	20,063	55,227	11,718	87,008

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

16. Stocks

	31 December 2016 £000	2 January 2016 £000
Raw materials	5,753	5,259
Finished goods and goods for resale	36,021	34,092
	<u>41,774</u>	<u>39,351</u>

At 31 December 2016, depreciation of £1,618,000 (2015: £1,496,000) has been included in the stock valuation.

Stocks are stated after provisions for impairment of £4,713,000 (2015: £7,196,000).

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

17. Debtors

	31 December 2016 £000	2 January 2016 £000
Trade debtors	40,410	34,169
Amounts owed by group undertakings	908,883	794,320
Other debtors	9,299	8,776
Deferred taxation (note 20)	18,170	-
Derivative financial instruments	2,971	724
Prepayments & accrued income	2,566	2,779
	<u>982,299</u>	<u>840,768</u>

Amounts owed by group undertakings relate to trading balances and unsecured loans repayable 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 £1,185,000 (2015: £1,133,000).

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

18. Creditors: Amounts falling due within one year

	31 December 2016 £000	2 January 2016 £000
Trade creditors	159,208	137,845
Amounts owed to group undertakings	13,981	15,045
Corporation tax	11,865	9,025
Other taxation and social security	25,617	23,176
Derivative financial instruments	112	633
Other creditors	570	93
Accruals and deferred income	87,197	97,740
	<u>298,550</u>	<u>283,557</u>

Amounts owed by group undertakings relate to trading balances.

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

	31 December 2016 £000	2 January 2016 £000
Accruals and deferred income	7,973	5,424
	<u>7,973</u>	<u>5,424</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

20. Financial instruments

	31 December 2016 £000	2 January 2016 £000
Financial assets		
Financial assets measured at fair value through income statement:		
Derivative financial instruments	2,971	724
Financial assets measured at amortised cost:		
Cash in bank and in hand	3,512	7,698
Trade debtors	40,410	34,169
Other debtors	9,299	8,776
Amounts owed by group undertakings	908,883	794,320
	<u>965,075</u>	<u>845,687</u>
Financial liabilities		
Financial liabilities measured at fair value through income statement:		
Derivative financial instruments	112	633
Financial liabilities measured at amortised cost:		
Trade creditors	159,208	137,845
Other creditors	570	93
Amounts and loans owed to group undertakings	13,981	15,045
	<u>173,871</u>	<u>153,616</u>

Derivative financial instruments relate to forward foreign exchange contracts.

The company enters into commodity future contracts, which are used to hedge cocoa and coffee exposures for the company and also on behalf of other companies within the Mars, Incorporated group. Within other debtors, £7,438,000 (2015: £6,671,000) is included relating to the initial margin and guarantee placed with the central clearing house. This due to be repaid upon the expiry of open trades.

Commodity future contracts are held under margin call agreements, which requires the fair value of outstanding trades to be settled in cash on a daily basis. Total cash paid of £17,734,000 (2015: cash received £14,909,000) has been posted against open trades at the year end, leaving a nil statement of financial position. Of this £3,267,000 loss (2015: £2,563,000 gain) relates to contracts used within the company which has been charged to income statement, while the remainder of the loss is recharged to the relevant company within the Mars, Incorporated group through "back to back" internal trades.

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

21. Deferred taxation

	31 December 2016 £000	2 January 2016 £000
At beginning of year	(12,282)	17,872
Charged to profit or loss	19	5,683
Charged to other comprehensive income	30,433	(35,837)
	<u>18,170</u>	<u>(12,282)</u>

The deferred taxation balance is made up as follows:

	31 December 2016 £000	2 January 2016 £000
Accelerated capital allowances	(3,349)	(3,317)
Defined benefit plan deficit/ (surplus)	21,948	(9,964)
Other temporary timing differences	(429)	999
	<u>18,170</u>	<u>(12,282)</u>

22. Called up share capital

	31 December 2016 £000	2 January 2016 £000
Shares classified as equity		
Allotted, called up and fully paid		
37,074,000 (2015: 37,074,000) Ordinary shares of £1 each	<u>37,074</u>	<u>37,074</u>

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

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

23. Capital commitments

At 31 December 2016 the Company had capital commitments as follows:

	31 December 2016 £000	2 January 2016 £000
Contracted for but not provided in these financial statements - tangible fixed assets	7,488	6,674
	<u>7,488</u>	<u>6,674</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

24. Pension and deferred cash promise commitments

Defined benefit pension plans and deferred cash promises

Mars Chocolate UK Limited participates, along with other employers in the Effem Holdings Limited Group, in two non-contributory, self administered, defined benefit pension plans, one funded and one unfunded. 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 31 December 2015 and have been updated to 31 December 2016 by independent qualified actuaries in accordance with FRS102.

Reconciliation of present value of plan liabilities:

	31 December 2016 £000	2 January 2016 £000
Reconciliation of present value of plan liabilities		
At the beginning of the period	1,836,675	2,004,370
Current service cost	22,728	24,515
Interest income	68,557	70,695
Actuarial gains/losses	520,616	(194,417)
Benefits paid	(70,684)	(68,504)
Transfers In	-	16
At the end of the period	<u><u>2,377,892</u></u>	<u><u>1,836,675</u></u>

	31 December 2016 £000	2 January 2016 £000
Reconciliation of present value of plan assets		
At the beginning of the period	1,892,068	1,901,219
Actuarial gains/losses	293,501	(68,795)
Contributions	61,861	59,866
Benefits paid	(70,135)	(67,838)
Expected Return on Assets	71,490	67,616
At the end of the period	<u><u>2,248,785</u></u>	<u><u>1,892,068</u></u>

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

24. Pension and deferred cash promise commitments (continued)

Composition of plan assets:

	31 December 2016 £000	2 January 2016 £000
Equities	841,945	732,015
Bonds	488,211	423,412
Property	286,270	337,686
Other	632,358	398,955
Total plan assets	2,248,784	1,892,068

Other plan assets include private equity, other derivative investments and cash.

	31 December 2016 £000	2 January 2016 £000
Fair value of plan assets	2,248,785	1,892,068
Present value of plan liabilities	(2,377,892)	(1,836,675)
Net pension scheme (liability)/ asset	(129,107)	55,393

The net pension scheme liability £129,107,000 is reflected in the statement of financial position in Provision for liabilities: Pension liability (2015: net pension scheme asset of £55,393,000 is reflected in the statement of financial position in Current Assets: Pension asset due after more than one year £124,632,000 and in Provision for liabilities £69,239,000).

The closing plan promise obligation includes a liability (2015: asset) relating to a funded, self administered, defined benefit pension plan of £34,563,000 (2015: £124,632,000), an obligation relating to an unfunded, self administered, defined benefit pension of £31,491,000 (2015: £26,360,000), obligations relating to self-administered deferred cash promises of £19,138,000 (2015: £17,495,000) and obligations relating to certain associates who have joined the UK business of £43,914,000 (2015: £25,384,000).

The expected return on plan assets is the discount rate times asset values at the start of the period. The actual return on assets for the period ended 31 December 2016 was gain of £364,991,000 (2015: £1,179,000).

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

24. Pension and deferred cash promise commitments (continued)

The amounts recognised in income statement are as follows:

	31 December 2016 £000	2 January 2016 £000
Operating profit		
Current service cost	22,728	24,515
Total	22,728	24,515
Other finance income/(cost)		
Expected return on pension plan/promise assets	71,490	67,616
Interest on pension plan/promise liabilities	(68,557)	(70,695)
	2,933	(3,079)
Statement of comprehensive income (OCI)		
Actual return less expected return on pension scheme/promise assets	293,501	(68,795)
Experience gain arising on the scheme/promise liabilities	6,121	69,105
Change in assumptions underlying the present value of the scheme liabilities	(526,737)	125,312
Actuarial (loss)/gain recognised in the OCI	(227,115)	125,622

The movement in the (deficit)/surplus during the period was as follows:

	31 December 2016 £000	2 January 2016 £000
Surplus/(deficit) at beginning of period	55,393	(103,151)
Current service cost	(22,728)	(24,515)
Other net finance income/(expense)	2,933	(3,079)
Contributions paid during the period	61,861	59,866
Actuarial (loss)/gain	(227,115)	125,622
Benefits paid	(549)	(666)
Transfers	-	(16)
Closing defined benefit (liability)/asset	(129,107)	55,393

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension and deferred cash promise commitments (continued)

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

The principle assumptions used in the actuarial valuation were:

	2016 %	2015 %
Discount rate	2.50	3.44
Future salary increases	3.80-7.00	3.25 - 7.00
Future pension increases	0.00-3.10	1.75 - 2.90
Inflation assumption	1.75-3.30	1.75 - 3.10
Mortality rates		
Longevity at age 65 for current pensioners:		
- Men	22.9	22.8
- Women	25.0	24.9
Longevity at age 65 for future pensioners:		
- Men	23.3	23.3
- Women	25.4	25.3

Defined Contribution pension plan

The company operates a defined contribution plan, the Associates Savings Plan ("ASP"). The ASP pension charge for the period was £1,562,000 (2015: £1,321,000).

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
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25. Commitments under operating leases

At 31 December 2016 and 2 January 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2016 £000	2 January 2016 £000
Not later than 1 year	23,882	24,140
Later than 1 year and not later than 5 years	42,571	44,393
Later than 5 years	14,400	18,000
Total	80,853	86,533

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 Chocolate UK Holdings Limited, a company registered in England and Wales. The company is a wholly owned subsidiary of Effem Holdings Limited (the smallest group to consolidate), a company registered in England and Wales, and is included in the consolidated financial statements of that company, which may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

27. First time adoption of FRS 102

This is the first period that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the period ended 2 January 2016. The date of transition to FRS 102 was 28 December 2014. Set out below are the changes in accounting policies which reconcile total equity as at 28 December 2014 and 2 January 2016, and profit for the financial period ended 2 January 2016 between UK GAAP as previously reported and FRS 102.

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

27. First time adoption of FRS 102 (continued)

		As previously stated 28 December 2014 £000	Effect of transition 28 December 2014 £000	FRS 102 (as restated) 28 December 2014 £000	As previously stated 2 January 2016 £000	Effect of transition 2 January 2016 £000	FRS 102 (as restated) 2 January 2016 £000
	Reference						
Fixed assets		88,078	-	88,078	87,461	-	87,461
Current assets	(i) (ii)	736,337	454	736,791	887,184	125,265	1,012,449
Creditors: amounts falling due within one year	(ii) (iii)	(239,803)	1,457	(238,346)	(286,020)	2,463	(283,557)
Net current assets		496,534	1,911	498,445	601,164	127,728	728,892
Total assets less current liabilities		584,612	1,911	586,523	688,625	127,728	816,353
Creditors: amounts falling due after more than one year		(4,008)	-	(4,008)	(5,424)	-	(5,424)
Provisions for liabilities	(i) (iv)	(27,994)	(57,282)	(85,276)	(36,926)	(44,595)	(81,521)
Net assets		552,610	(55,371)	497,239	646,275	83,133	729,408
Capital and reserves		552,610	(55,371)	497,239	646,275	83,133	729,408

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016

27. First time adoption of FRS 102 (continued)

	Reference	As previously stated 2 January 2016 £000	Effect of transition 2 January 2016 £000	FRS 102 (as restated) 2 January 2016 £000
Turnover	(v)	851,610	(3,552)	848,058
Cost of sales	(ii) (iii)	(647,032)	15,128	(631,904)
		<u>204,578</u>	<u>11,576</u>	<u>216,154</u>
Distribution expenses		(29,988)	-	(29,988)
Administrative expenses	(i)	(78,098)	39,369	(38,729)
Other operating income		1,335	-	1,335
		<u>97,827</u>	<u>50,945</u>	<u>148,772</u>
Operating profit		97,827	50,945	148,772
Interest receivable and similar income		6,840	-	6,840
Interest payable and similar charges		(20)	-	(20)
Other finance income	(v)	(1,443)	(1,636)	(3,079)
Prior year tax on profit on ordinary activities	(iv) (v)	(13,170)	(8,865)	(22,035)
		<u>90,034</u>	<u>40,444</u>	<u>130,478</u>
Profit on ordinary activities after taxation and for the financial period		90,034	40,444	130,478
		-	-	-
Other comprehensive income				
Actuarial gain on defined benefit schemes	(i)	4,347	121,275	125,622
Movement on current tax relating to pension gains	(v)	-	11,906	11,906
Movement on deferred tax relating to pension gains	(iv)	(716)	(35,121)	(35,837)
		<u>93,665</u>	<u>138,504</u>	<u>232,169</u>
Total comprehensive income		93,665	138,504	232,169

(i) Defined benefit pension plan

FRS 102 requires the company to recognise a share of the funded position of the pension plan based on the contributions payable. This has resulted in the company recognising a liability of £71,127,000 on transition to FRS 102. In the period to 2 January 2016, a gain of £48,124,000 was recognised in the income statement and a gain of £121,275,000 in the statement of comprehensive income. An asset of £98,272,000 was recognised at 2 January 2016.

**NOTES TO THE FINANCIAL STATEMENTS
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27. First time adoption of FRS 102 (continued)

(ii) Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. This has resulted in the company recognising an asset of £266,000 at the transition date, relating to historic gains/losses on currency derivatives. In the period to 2 January 2016, a loss of £33,000 has been recognised as a transition adjustment in the income statement, which relates to fair value movements in currency derivatives within the year. At 2 January 2016, an asset of £724,000 and a liability of £633,000 are recognised as a transition adjustment for currency derivatives.

In addition, the company has recognised an asset for commodity futures of £2,038,000 at the transition date which is offset by a margin call payment of £2,038,000. In the period to 2 January 2016, a gain of £1,175,000 has been recognised as a transition adjustment in the income statement which relates to fair value movements in commodity futures within the year. At 2 January 2016, an asset for commodity futures of £3,213,000 is recognised as a transition adjustment which is offset by a margin call payment of £3,213,000.

(iii) Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the income statement as the employee service is received. This has resulted in the company recognising a liability for holiday pay of £127,000 on transition to FRS 102. In the period to 2 January 2016, income of £10,000 was recognised in the income statement and the liability at 2 January 2016 was £117,000.

(iv) Deferred Taxation

The company has accounted for deferred taxation on transition as follows:

a) Defined benefit pension plan

Deferred tax of £14,225,000 has been recognised at 20.00% on the liability recognised on transition at 28 December 2014. In the period ended 2 January 2016 the company has recognised a credit of £2,855,000 in the income statement and £35,121,000 charge in the statement of comprehensive income in respect of the increase in the value of defined benefit assets recognised in the income statement.

b) Derivative financial instruments

Deferred tax of £407,000 has been recognised at 20.00% on the asset recognised on transition at 28 December 2014. In the period ended 2 January 2016 the company has recognised a credit of £212,000 in the income statement in respect of increase in the value of derivative assets recognised in the income statement.

c) Holiday pay accrual

Deferred tax of £25,000 has been recognised at 20.00% on the liability recognised on transition at 28 December 2014. In the period ended 2 January 2016 the company has recognised a charge of £2,000 in the income statement in respect of decrease in the value of liability recognised in the income statement.

(v) Presentational adjustments

In the period 2 January 2016 there are presentational changes which have nil impact on the restated total comprehensive income. These relate to gain on financial derivatives of £3,552,000 and finance interest on the defined benefit pension plan of £1,636,000 in the income statement and current tax arising on pension of £11,906,000 moving from profit to other comprehensive income.