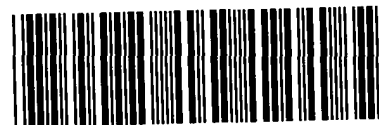

Mars Chocolate UK Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 27 DECEMBER 2014

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Mars Chocolate UK Limited

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Mars Chocolate UK Limited

STRATEGIC REPORT FOR THE YEAR ENDED 27 DECEMBER 2014

The directors present their strategic report on the company for the year ended 27 December 2014.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The profit for the year, after taxation amounted to £84,087,000 (2013: £87,238,000).

The performance for the year 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.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business include:

- possible fluctuations in the price and availability of raw materials;
- accidental or malicious contamination of our products or their ingredients, despite the fact that the company manufactures products in accordance with the highest standards of quality and food safety;
- potential disruption of our manufacturing and/or distribution process in the event of circumstances beyond our control such as adverse weather, flood, fire, system failure or a major interruption in the supply of raw material;
- 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 YEAR ENDED 27 DECEMBER 2014

FINANCIAL KEY PERFORMANCE INDICATORS

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

	27 December 2014	28 December 2013
	£'000s	£'000s
Turnover	827,976	833,489
Profit before tax	95,611	99,489
Gross profit margin (%)	24	25
Operating profit margin (%)	11	11

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. Suitable derivative instruments are used to hedge the price risk and such instruments are traded on internationally recognised exchanges.

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.

Liquidity risk

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

Mars Chocolate UK Limited

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 27 DECEMBER 2014**

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 and signed on its behalf by:



**C Williams
Director**

Date: 29 April 2015

Mars Chocolate UK Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 27 DECEMBER 2014

The directors present their report and the financial statements for the year ended 27 December 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £84,087,000 (2013 - £87,238,000).

The directors have not paid or proposed a dividend to holders of the ordinary shares in the year (2013: £nil).

DIRECTORS

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

D Haines
F Dawson (resigned 8 April 2015)
I Langer
C Williams
S Guthrie-Brown (resigned 12 December 2014)
D Creaser
G Hannen (resigned 22 May 2014)
K Brockman (appointed 12 December 2014)
M Page (appointed 10 October 2014)
B Maquivar Gallardo (appointed 8 April 2015)

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.

Mars Chocolate UK Limited

**DIRECTORS' REPORT
FOR THE YEAR ENDED 27 DECEMBER 2014**

POLITICAL CONTRIBUTIONS

No political donations were made during the year (2013: £nil).

ASSOCIATES

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

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

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

INDEPENDENT AUDITORS

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

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



**C Williams
Director**

Date: 29 April 2015

Mars Chocolate UK Limited

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 27 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Mars Chocolate UK Limited's financial statements, comprise:

- the balance sheet as at 27 December 2014;
- the profit and loss account and statement of total recognised gains and losses for the year 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 comprises applicable law and United Kingdom Accounting Standards (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 matter prescribed by the Companies Act 2006

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

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.

Directors' remuneration

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors Responsibilities set on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & 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 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.



**CHRISTOPHER HIBBS (SENIOR STATUTORY AUDITOR)
FOR AND BEHALF OF PRICEWATERHOUSECOOPERSLLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
EAST MIDLANDS**

29 April 2015

Mars Chocolate UK Limited

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 27 DECEMBER 2014**

		27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
	Note		
TURNOVER	2	827,976	833,489
Cost of sales		(626,336)	(621,431)
GROSS PROFIT		201,640	212,058
Distribution costs		(29,148)	(28,312)
Administrative expenses		(82,380)	(89,532)
OPERATING PROFIT	8	90,112	94,214
Interest receivable and similar income	3	6,577	6,204
Interest payable and similar charges	4	(50)	(14)
Other finance charges	5	(1,028)	(915)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		95,611	99,489
Tax on profit on ordinary activities	10	(11,524)	(12,251)
PROFIT FOR THE FINANCIAL YEAR	19	84,087	87,238

All amounts relate to continuing operations.

There are no material differences between the profit on ordinary activities before tax and their historical cost equivalents.

The notes on pages 11 to 25 form part of these financial statements.

Mars Chocolate UK Limited

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 27 DECEMBER 2014**

		27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
	Note		
PROFIT FOR THE FINANCIAL YEAR		84,087	87,238
Actuarial loss related to promise obligation	22	(3,878)	(1,169)
Deferred tax attributable to loss		829	305
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		81,038	86,374

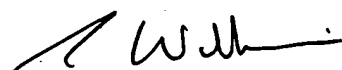
The notes on pages 11 to 25 form part of these financial statements.

Mars Chocolate UK Limited
REGISTERED NUMBER: 06649982

BALANCE SHEET
AS AT 27 DECEMBER 2014

		27 December		28 December
			2014	2013
	Note	£000	£000	*restated see note 1.1 £000
FIXED ASSETS				
Tangible assets	11		88,078	91,565
CURRENT ASSETS				
Stocks	12	39,098		36,000
Debtors	13	689,951		594,515
Cash at bank and in hand		7,288		3,121
		<u>736,337</u>		<u>633,636</u>
CREDITORS: amounts falling due within one year	14	<u>(239,803)</u>		<u>(230,740)</u>
NET CURRENT ASSETS			<u>496,534</u>	<u>402,896</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>584,612</u>	<u>494,461</u>
CREDITORS: amounts falling due after more than one year	15		(4,008)	(5,290)
PROVISIONS FOR LIABILITIES				
Deferred tax	17		<u>(2,108)</u>	<u>(1,569)</u>
NET ASSETS EXCLUDING DEFERRED BENEFIT LIABILITIES			<u>578,496</u>	<u>487,602</u>
Deferred benefit liability	22		<u>(25,886)</u>	<u>(16,030)</u>
NET ASSETS INCLUDING DEFERRED BENEFIT LIABILITIES			<u><u>552,610</u></u>	<u><u>471,572</u></u>
CAPITAL AND RESERVES				
Called up share capital	18		37,074	37,074
Profit and loss account	19		<u>515,536</u>	<u>434,498</u>
TOTAL SHAREHOLDERS' FUNDS	20		<u><u>552,610</u></u>	<u><u>471,572</u></u>

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



C Williams
Director
Date: 29 April 2015

The notes on pages 11 to 25 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, on a going concern basis, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been consistently applied, except for the change in accounting policy noted below.

Prior year restatement - change in accounting policy

During the year, the directors have reassessed the way that the company's deferred cash promises to certain associates who have joined the UK business are accounted for. The liability was previously recognised as an accrual, with changes to the accrual recognised in the profit and loss account. The directors have concluded that it is more appropriate to treat the deferred cash promises as a defined benefit obligation. The obligation is recognised as a provision, net of related deferred tax. The current service cost relating to the obligation is recognised within the profit and loss account together with an interest cost, with actuarial gains and losses being recognised in the Statement of Total Recognised Gains and Losses. This represents a change of accounting policy and as such prior year balances have been restated. Administrative expenses for the year ended 28 December 2013 have increased by £511,000 other finance charges for the year have increased by £605,000 and the tax charge for the year decreased by £154,000, reducing the profit for the year ended 28 December 2013 by £962,000. A corresponding actuarial loss has been recognised in the Statement of Total Recognised Gains and Losses.

In the balance sheet as at 28 December 2013 accruals have been reduced by £7,773,000 and deferred tax reduced by £1,555,000 with a net deferred benefit liability of £6,218,000 being recognised. There is no impact on net assets.

Deferred tax on the promises was shown within other timing differences but is now shown as part of the deferred tax on pensions in note 22. This is consistent with the accounting treatment of the promises.

1.2 Cash flow statement

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

1.3 Related party disclosures

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

1.4 Turnover

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.5 Commodity and currency forward contracts

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

1.6 Research and development

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

1.7 Operating leases

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

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

1.8 Tangible fixed assets and depreciation

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

Freehold land	-	Not depreciated
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.

1.9 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. 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. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. 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 Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.10 Pensions and deferred cash promises

Mars Chocolate UK Limited participates, along with other employers in the Effem Holdings Group in a non-contributory, self-administered defined benefit pension plan, which is funded. Mars Chocolate UK Limited is unable to identify its share of the underlying assets and liabilities in the group pension scheme and hence it is accounted for as a defined contribution scheme under Financial Reporting Standard 17 "Retirement Benefits". Information in respect of the scheme and the £112.3 million deficit (2013: £121.8 million deficit) is available in the consolidated financial statements of Effem Holdings Limited, which may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. Contributions are charged to the profit and loss account as they are incurred.

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

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

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

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

1.11 Stocks

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

1.12 Taxation

Corporation tax is provided on taxable profits at the current rate. The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies.

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.13 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.

1.14 Provisions

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

1.15 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. SEGMENTAL REPORTING

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 Statement of Standard Account Practice 25 "Segmental reporting" has not been made.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	27 December 2014 £000	28 December 2013 £000
Interest receivable from group companies	6,531	6,126
Other interest receivable	46	78
	<u>6,577</u>	<u>6,204</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

4. INTEREST PAYABLE AND SIMILAR CHARGES

	27 December 2014 £000	28 December 2013 £000
On bank loans and overdrafts	50	13
Interest payable to group undertakings	-	1
	<u>50</u>	<u>14</u>

5. OTHER FINANCE CHARGES

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Interest on pension scheme liabilities	(1,028)	(915)
	<u>(1,028)</u>	<u>(915)</u>

6. DIRECTORS' EMOLUMENTS

	27 December 2014 £000	28 December 2013 £000
Aggregate emoluments	2,408	1,960
	<u>2,408</u>	<u>1,960</u>

Retirement benefits accruing to four directors (2013: six) under the group's defined benefit schemes and to none directors (2013: none) under money purchase pension schemes.

Highest paid director

	27 December 2014 £000	28 December 2013 £000
Aggregate emoluments	930	823
Defined benefit schemes: accrued pension at end of the year	<u>184</u>	<u>116</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

7. ASSOCIATES

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

	27 December 2014 No.	28 December 2013 No.
Production	462	443
Selling and distribution	518	519
Administration	432	441
Total	1,412	1,403

Staff costs were as follows

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Wages and salaries	80,193	81,118
Social security costs	7,762	8,012
Other pension and deferred benefit costs	69,335	78,702
Total	157,290	167,832

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Deferred benefits costs (Note 22)	6,189	5,194

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

8. OPERATING PROFIT

The operating profit is stated after charging:

	27 December 2014 £000	28 December 2013 £000
Depreciation of tangible fixed assets:		
- owned by the company (note 11)	15,629	14,447
Loss on disposal of fixed assets	707	973
Hire of plant and machinery under operating leases	140	150
Research and development	8,813	8,610
Rental of property under operating leases	11,222	12,845
	<u> </u>	<u> </u>

9. AUDITORS' REMUNERATION

	27 December 2014 £000	28 December 2013 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	133	145
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	665	740
All other non-audit services not included above	122	67
	<u> </u>	<u> </u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	12,283	19,078
Adjustments in respect of prior years	-	(5,993)
Total current tax	<u>12,283</u>	<u>13,085</u>
Deferred tax		
Origination and reversal of timing differences	(1,839)	(2,142)
Effect of change in tax rate	131	349
Adjustments in respect of prior years	949	959
Total deferred tax (see note 17)	<u>(759)</u>	<u>(834)</u>
Tax on profit on ordinary activities	<u>11,524</u>	<u>12,251</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
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10. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	27 December 2014 £000	28 December 2013 £000
Profit on ordinary activities before tax	95,611	99,489
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	20,556	23,131
Effects of:		
Depreciation in excess of capital allowances	512	325
Adjustments to tax charge in respect of prior years	(4,238)	(5,993)
Other timing differences	1,328	1,813
Permanent differences	183	9
Group relief	(6,058)	(6,200)
Current tax charge for the year	12,283	13,085

Factors that may affect future tax charges

The main rate of corporation tax in the United Kingdom reduced from 23% to 21% effective 1 April 2014. During the year, as a result of the changes in the UK corporation tax rate to 20% from 1 April 2015 the relevant deferred tax balances have been re-measured.

Mars Chocolate UK Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014

11. TANGIBLE FIXED ASSETS

	Freehold land & property £000	Plant & machinery £000	Capital work in progress £000	Total £000
Cost				
At 29 December 2013	33,477	119,266	6,406	159,149
Additions	-	-	12,849	12,849
Disposals	(150)	(3,705)	-	(3,855)
Transfer between classes	722	9,661	(10,383)	-
At 27 December 2014	34,049	125,222	8,872	168,143
Accumulated Depreciation				
At 29 December 2013	10,121	57,463	-	67,584
Charge for the year	2,548	13,081	-	15,629
On disposals	(132)	(3,016)	-	(3,148)
At 27 December 2014	12,537	67,528	-	80,065
Net book value				
At 27 December 2014	21,512	57,694	8,872	88,078
At 28 December 2013	23,356	61,803	6,406	91,565

12. STOCKS

	27 December 2014 £000	28 December 2013 £000
Raw materials	6,250	6,270
Work in progress	1	-
Finished goods and goods for resale	32,847	29,730
	<u>39,098</u>	<u>36,000</u>

At 27 December 2014, depreciation of £1,583,000 (2013: £1,248,000) has been included in the stock valuation.

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

13. DEBTORS

	27 December 2014 £000	28 December 2013 £000
Trade debtors	38,537	44,486
Amounts owed by group undertakings	635,240	537,934
Other debtors	13,302	8,029
Prepayments and accrued income	2,872	4,066
	<u>689,951</u>	<u>594,515</u>

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

**14. CREDITORS:
Amounts falling due within one year**

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Trade creditors	115,925	105,574
Amounts owed to group undertakings	17,018	15,512
Corporation tax	8,214	13,176
Other taxation and social security	13,307	11,789
Other creditors	2,215	2,211
Accruals and deferred income	83,124	82,478
	<u>239,803</u>	<u>230,740</u>

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

**15. CREDITORS:
Amounts falling due after more than one year**

	27 December 2014 £000	28 December 2013 £000
Accruals and deferred income	4,008	5,290

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

16. FINANCIAL INSTRUMENTS

	Book value 27 December 2014 £000	Fair value 27 December 2014 £000	Book value 28 December 2013 £000	Fair value 28 December 2013 £000
Derivative - forward rate contracts liabilities	-	(308)	-	(1,051)

17. DEFERRED TAXATION

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
At beginning of year	1,569	9
Charge for year (P&L)	539	1,560
At end of year	2,108	1,569

The provision for deferred taxation is made up as follows:

	27 December 2014 £000	28 December 2013 £000
Accelerated capital allowances	4,319	4,675
Other temporary timing differences	(2,211)	(3,106)
	2,108	1,569

18. SHARE CAPITAL

	27 December 2014 £000	28 December 2013 £000
Allotted, called up and fully paid		
37,074,000 Ordinary shares of £1 each	37,074	37,074

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

19. RESERVES

	Profit and loss account *restated see note 1.1 £000
At 29 December 2013	434,498
Profit for the financial year	84,087
Pension reserve movement	(3,049)
27 December 2014	<u>515,536</u>

The closing balance on the Profit and Loss Account includes a £25,886,000 (2013 - £9,812,000) debit, stated after deferred taxation of £6,138,000 (2013 - £2,453,000), in respect of pension scheme liabilities of the company pension scheme.

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Opening shareholders' funds	471,572	385,198
Profit for the financial year	84,087	87,238
Other recognised gains and losses during the year	(3,049)	(864)
Closing shareholders' funds	<u>552,610</u>	<u>471,572</u>

21. CAPITAL COMMITMENTS

At 27 December 2014 the company had capital commitments as follows:

	27 December 2014 £000	28 December 2013 £000
Contracted for but not provided in these financial statements	<u>3,371</u>	<u>2,932</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 DECEMBER 2014**

22. PENSION AND DEFERRED CASH PROMISE COMMITMENTS

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

The Associates Retirement Plan ("ARP") pension charge for the year was £61,792,000 (2013: £72,125,000).

There is also a defined contribution plan, the Associates Savings Plan ("ASP"). The ASP pension charge for the year was £1,354,000 (2013: £1,383,000).

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

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 valuation of these promises were carried out at 31 December 2013 and have been updated to 27 December 2014 by independent qualified actuaries in accordance with FRS 17 amended 'Retirement Benefits'.

The amounts recognised in the Balance Sheet relating to these promises are as follows:

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Present value of deferred cash promise obligations	(32,024)	(20,038)
Related deferred tax asset	6,138	4,008
Net liability	(25,886)	(16,030)

The amounts recognised in Profit and Loss Account are as follows:

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Current service cost	(6,189)	(5,194)
Interest on obligation	(1,028)	(915)
Past service cost	-	(113)
Total	(7,217)	(6,222)

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
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22. PENSION AND DEFERRED CASH PROMISE COMMITMENTS (continued)

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

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Opening deferred cash promise obligation	20,038	13,036
Current service cost	6,189	5,194
Interest cost	1,028	915
Actuarial Losses	3,878	1,169
Past service costs	-	113
Transfers in	1,024	-
Benefits paid	(133)	(389)
	<u>32,024</u>	<u>20,038</u>
Closing deferred cash promise obligation	<u>32,024</u>	<u>20,038</u>

The closing deferred cash promise obligation includes obligations relating to self-administered deferred cash promises of £17,529,000 (2013: 12,265,000) and obligations relating to certain associates who have joined the UK business of £14,495,000 (2013: £7,773,000).

The principal actuarial assumptions at the balance sheet date used to determine the value of the deferred benefit obligations were a discount rate of 3.7% (2013: 4.4%), future salary increases of between 4.25% to 7.00% (2013: 4.5% to 7.00%), pension increases of between 1.75% and 3.0% (2013: 2.0% and 3.2%) and an inflation assumption of between 1.75% to 3.25% (2013: 2.0% to 3.5%).

Amounts for the current and previous year are as follows:

	27 December 2014 £000	28 December 2013 *restated see note 1.1 £000
Deferred cash promise obligation	(32,024)	(20,038)
Experience adjustments on scheme liabilities	<u>(1,483)</u>	<u>2,767</u>

Mars Chocolate UK Limited

**NOTES TO THE FINANCIAL STATEMENTS
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22. PENSION AND DEFERRED CASH PROMISE COMMITMENTS (continued)

History of experience gains and losses on deferred cash promises:

	27 December 2014 £000	28 December 2013 £000	29 December 2012 £000	1 January 2011 £000
Deferred benefit obligation	32,024	20,038	5,700	3,300
Experience gain/(loss) arising on scheme/promise liabilities	1,312	(1,746)	500	-

23. OPERATING LEASE COMMITMENTS

At 27 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 27 December 2014 £000	28 December 2013 £000	27 December 2014 £000	Other 28 December 2013 £000
Expiry date:				
Between 2 and 5 years	12,084	9,458	560	849
After more than 5 years	3,884	4,924	1,703	1,558
Total	15,968	14,382	2,263	2,407

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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