

199171/134

KELLOGG COMPANY OF GREAT BRITAIN LIMITED

REPORT OF THE DIRECTORS

and

BALANCE SHEET

and

PROFIT AND LOSS ACCOUNT

31st December, 1979

DIRECTORS

G.D. Robinson	Chairman & Managing Director
J.K. Johnson	Assistant Managing Director
D.W. Partington	Assistant Managing Director
E. Tomlinson	Assistant Managing Director

J.K.S. Fielding

J.G. Tracy

K.A. Branton

SECRETARY AND REGISTERED OFFICE

J.K.S. Fielding Stretford, Manchester

AUDITORS

Price Waterhouse & Co.,
York House,
York Street,
Manchester, M2 4WS.



REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report together with the Balance Sheet of the Company as at 31st December, 1979 together with the Profit and Loss Account for the year ended on that date.

PRINCIPAL ACTIVITY

The principal activity of the Company is the manufacture and selling of cereal food products.

ACCOUNTS

	£'000s	£'000s
The turnover for 1979 amounted to		110,208
The Net Profit after providing for all Overhead Expenses, Directors' Emoluments and Depreciation, but before taking account of taxation is	5,713	
Taxation based thereon	502	
Leaving Net Profit for the year after taking account of taxation	5,211	
To which is added:		
Balance brought forward from last year	24,932	
An adjustment to prior years taxation charges ...	15,894	
Leaving a balance to be carried forward to the next account of	46,037	

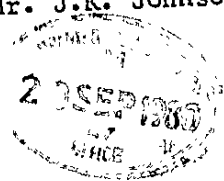
DIRECTORATE

The present Directors of the Company are listed on Page 1 of this Report.

Since the last Annual General Meeting the following changes to the Directorate have taken place:-

11th December, 1979	Mr. J.K. Johnson appointed to the Board of Directors
31st December, 1979	Mr. M.H. Darling resigned from the Board of Directors
17th April, 1980	Mr. A.A. Lines retired from the Board of Directors

In accordance with the Company's Article No: 81 Mr. J.K. Johnson offers himself for re-election.



In accordance with the Company's Article No: 87 Mr. J.G. Tracy and Mr. J.K.S. Fielding retire by rotation and being eligible offer themselves for re-election.

EXPORT SALES

The value of goods exported from the United Kingdom during 1979 amounted to £7,446,187.

EMPLOYEES IN THE UNITED KINGDOM

The average weekly number of United Kingdom employees during 1979 was 3,579 and their aggregate remuneration during the year amounted to £16,255,000.

CHARITABLE DONATIONS

During the year contributions to United Kingdom organisations for charitable purposes amounted to £22,084.

SUBSIDIARIES

On 5th October, 1979, the name of the Company's subsidiary S. Reece & Sons Limited was changed to Mrs. Smith's Frozen Foods Limited.

On 12th October, 1979, the name of the Company's subsidiary W.B. Pellew-Harvey and Company Limited was changed to Kellogg Company of Ireland Limited and the company is now trading under this name.

On 20th December, 1979, the Company subscribed for a further 9,998 Ordinary Shares of £1 each in Kellogg Company of Ireland Limited.

STATE OF AFFAIRS

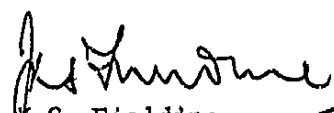
There are no other matters material for the appreciation of the state of the Company's affairs by its members.

AUDITORS

Messrs. Price Waterhouse & Co., having given notice that they are willing to continue in office as Auditors, a resolution will be proposed re-appointing them and fixing their remuneration.

BY ORDER OF THE BOARD

18th July, 1980.
Stretford, Manchester


J.K.S. Fielding
Secretary

KELLOGG COMPANY OF GREAT BRITAIN LIMITED

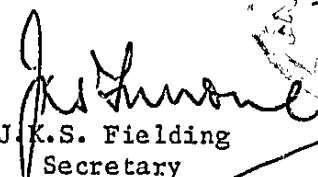
NOTICE is hereby given that the fifty-sixth Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company, Stretford, Manchester on Friday, 5th September, 1980, at 12 Noon.

1. To receive and consider the Directors' Report and Statement of Accounts for the year ended 31st December, 1979 together with the Report of the Auditors thereon.
2. To re-elect Directors
3. To re-appoint and fix the remuneration of the Auditors
4. To transact any other business of an Ordinary General Meeting

Any member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him and the proxy need not be a member.

BY ORDER OF THE BOARD

18th July, 1980.
Stretford, Manchester


J.K.S. Fielding
Secretary

KELLOGG COMPANY OF GREAT BRITAIN
LIMITED AND ITS SUBSIDIARIES

31 DECEMBER 1979

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YORK HOUSE,
YORK STREET,
MANCHESTER M2 4WS

AUDITORS' REPORT TO THE MEMBERS OF KELLOGG COMPANY
OF GREAT BRITAIN LIMITED

We have examined the accounts set out on pages 2 to 11 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets. In our opinion these accounts give, under that convention, a true and fair view of the state of affairs of the company and the group at 31 December 1979 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 and 1967.

A handwritten signature in cursive script, appearing to read "Price Waterhouse & Co.", written in dark ink.

Chartered Accountants

2 February 1980

KELLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 DECEMBER 1979

<u>1978</u>		<u>Note</u>	<u>1979</u>	
<u>£'000s</u>	<u>£'000s</u>		<u>£'000s</u>	<u>£'000s</u>
109,728				110,208
	SALES OF FINISHED PRODUCTS AND BY-PRODUCTS LESS DISCOUNTS AND ALLOWANCES			
8,505	TRADING PROFIT FOR THE YEAR BEFORE TAXATION	3		5,704
(302)	BANK AND OTHER INTEREST RECEIVED (after taking account of £355,590 (1978 - £478,830) paid)			9
8,203				5,713
52	TAXATION	4		502
8,151	PROFIT FOR THE YEAR AFTER TAXATION			5,211
	RETAINED EARNINGS BROUGHT FORWARD			
21,167	As previously reported		24,932	
11,508	Prior year adjustment on change in accounting policy (Note 2)		15,894	
32,675				40,826
£40,826				£46,037

KELLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1979

<u>1978</u>		<u>Note</u>	<u>1979</u>	
<u>£'000s</u>	<u>£'000s</u>		<u>£'000s</u>	<u>£'000s</u>
	41,898	5		44,310
	FIXED ASSETS			
	CURRENT ASSETS			
19,168	Stocks	7	27,608	
6,589	Trade and sundry debtors		11,018	
1,387	Deferred charges		1,029	
81	Amounts owing by fellow subsidiaries		272	
3,028	Amounts owing by holding company		-	
1,600	Bank balances and cash		5,287	
31,853			45,214	
	CURRENT LIABILITIES			
3,381	Bank overdraft		3,291	
2,000	Bills payable		-	
467	Bank loan	8	233	
10,574	Trade creditors and accrued charges		16,503	
-	Amounts owing to fellow subsidiaries		1,581	
-	Amount owing to holding company		5,107	
16,422			26,715	
15,431	NET CURRENT ASSETS			18,499
57,329				62,809
(317)	CORPORATION TAX RECOVERABLE (PAYABLE)			2,764
57,012				65,573
	SHARE CAPITAL			
	Authorised: 20,200 shares of 5p each			
1	Issued and fully paid:			1
	20,060 shares of 5p each			
41	SHARE PREMIUM ACCOUNT			41
16,122	CAPITAL RESERVE			16,122
40,826	RETAINED EARNINGS			46,037
56,990	SHAREHOLDERS' FUNDS			62,201
(211)	DEFERRED TAXATION	9		3,372
233	BANK LOAN	8		-
57,012				65,573
	DIRECTORS			
	GD Robinson			
	DW Partington			

GD Robinson
DW Partington

KELLOGG COMPANY OF GREAT BRITAIN LIMITED

BALANCE SHEET - 31 DECEMBER 1979

<u>1978</u>				<u>1979</u>
<u>£'000s</u>		<u>Note</u>		<u>£'000s</u>
40,295	FIXED ASSETS	5		42,975
2,740	INTERESTS IN SUBSIDIARIES	6		(209)
	CURRENT ASSETS			
17,918	Stocks	7	26,265	
5,352	Trade and sundry debtors		9,791	
1,367	Deferred charges		1,010	
81	Amounts owing by fellow subsidiaries		272	
3,028	Amounts owing by holding company		-	
<u>1,532</u>	Bank balances and cash		<u>5,144</u>	
29,278			<u>42,482</u>	
	CURRENT LIABILITIES			
3,354	Bank overdraft		3,178	
2,000	Bills payable		-	
467	Bank loan	8	233	
9,555	Trade creditors and accrued charges		15,459	
-	Amounts owing to fellow subsidiaries		1,581	
-	Amounts owing to holding company		<u>2,389</u>	
<u>15,376</u>			<u>22,840</u>	
<u>13,902</u>	NET CURRENT ASSETS			<u>19,642</u>
56,937				62,408
<u>(317)</u>	CORPORATION TAX RECOVERABLE (PAYABLE)			<u>2,764</u>
56,620				65,172
	SHARE CAPITAL			
	Authorised: 20,200 shares of 5p each			
1	Issued and fully paid:			1
	20,060 shares of 5p each			
41	SHARE PREMIUM ACCOUNT			41
16,008	CAPITAL RESERVE			16,007
<u>40,527</u>	RETAINED EARNINGS	11		<u>45,622</u>
56,577	SHAREHOLDERS' FUNDS			61,671
(190)	DEFERRED TAXATION	9		3,501
<u>233</u>	BANK LOAN	8		-
56,620				65,172
	DIRECTORS			
	GD Robinson			
	DW Partington			

GD Robinson
DW Partington

KILLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

SOURCE AND APPLICATION OF FUNDS FOR THE
YEAR ENDED 31 DECEMBER 1979

	<u>1979</u>	<u>1978</u>
	<u>£'000s</u>	<u>£'000s</u>
SOURCE OF FUNDS		
Profit for the year before taxation	5,713	8,203
Adjustment for depreciation, which does not involve the movement of funds	<u>3,063</u>	<u>2,740</u>
Generated from operations	8,776	10,943
Funds from other sources:		
Disposals of fixed assets	<u>132</u>	<u>90</u>
	<u>8,908</u>	<u>11,033</u>
APPLICATION OF FUNDS		
Capital expenditure	5,607	9,517
Taxation payments	-	399
Working capital (see below)	<u>(2,943)</u>	<u>6,044</u>
	<u>2,664</u>	<u>15,960</u>
Increase (decrease) in net liquid resources	<u>6,244</u>	<u>(4,927)</u>
Increase (decrease) in working capital:		
Stocks	8,440	3,968
Trade and sundry debtors and deferred charges	4,070	(1,270)
Amount owing by group companies	(9,525)	5,988
Trade creditors and accrued charges	<u>(5,928)</u>	<u>(2,642)</u>
	<u>(2,943)</u>	<u>6,044</u>

KELLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS - 31 DECEMBER 1979

1 ACCOUNTING POLICIES

CONSOLIDATION

The consolidated accounts include those of Kellogg Company of Great Britain Limited and its subsidiaries, made up to 31 December.

FIXED ASSETS

Fixed assets are stated at a professional valuation made on 31 December 1977 with subsequent additions at cost after deducting government grants.

Depreciation is provided in equal annual instalments calculated to amortise the assets over their estimated useful lives. The principal rates applied to revalued amounts or subsequent cost are:

Buildings	2%
Plant and equipment	6.2/3 and 10%
Motor vehicles	25%

STOCKS

Stocks are stated at the lower of cost (including appropriate production overheads) and estimated net realisable value.

TAXATION

Corporation tax is provided on the assessable profits of the company at the appropriate rates in force. Provision is made for taxation deferred at the rate in force at the balance sheet date except where it is considered with reasonable probability that the tax deferral will continue for the foreseeable future.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to expense as incurred.

KELLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS - 31 DECEMBER 1979 (CONTINUED)

2 CHANGE IN ACCOUNTING POLICY

Previously, deferred taxation was provided for in respect of charges, principally depreciation, allocated to different periods for accounts and taxation purposes and in respect of the tax relief on increases in stock values. Following the change in accounting policy introduced with the advent of Statement of Standard Accounting Practice No 15 to that now set out in Note 1, the results of 1978 have been re-stated to be on a consistent basis and the reserves at 1 January 1978 re-stated to take account of the provision of £11,508,000 at that date which is no longer required. Had the policy previously adopted continued, then the taxation charges included in the profit and loss accounts would have been increased by £2,533,000 in respect of 1979 and £4,386,000 in respect of 1978.

3 TRADING PROFIT

Trading profit is stated after charging (crediting) the following:

<u>1978</u>		<u>1979</u>
<u>£'000s</u>		<u>£'000s</u>
2,740	Depreciation of fixed assets	3,063
748	Contributions to company pension scheme	842
	Directors' emoluments (Note 10):	
-	Fees	-
225	For management services, including pension contributions	153
(133)	Interest relief grant	(78)
<u>24</u>	<u>Auditors' remuneration</u>	<u>28</u>

KELLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS - 31 DECEMBER 1979 (CONTINUED)

4 TAXATION

	<u>1979</u>	<u>1978</u>
	<u>£'000s</u>	<u>£'000s</u>
The charge for the year, at the rate of 52%, comprises:		
Corporation tax	(2,762)	296
Deferred taxation	<u>3,326</u>	<u>(241)</u>
	564	55
Prior year adjustments:		
Corporation tax	<u>(62)</u>	<u>(3)</u>
	<u>502</u>	<u>52</u>

5 FIXED ASSETS

<u>Company</u>			<u>Group</u>	
<u>Cost or valuation</u>	<u>Depreciation</u>		<u>Cost or valuation</u>	<u>Depreciation</u>
<u>£'000s</u>	<u>£'000s</u>		<u>£'000s</u>	<u>£'000s</u>
74,656	34,361	At 1 January 1979	77,881	35,983
310	61	Transfers from subsidiary	-	-
5,457		Additions: (after deducting government grants of £710,094)	5,607	
(1,068)	(925)	Disposals and retirements	(1,097)	(965)
	<u>2,883</u>	Depreciation		<u>3,063</u>
<u>79,355</u>	<u>36,380</u>	At 31 December 1979	<u>82,391</u>	<u>38,081</u>
	<u>42,975</u>			<u>44,310</u>
<u>Valuation</u>	<u>Cost</u>	Comprising:	<u>Valuation</u>	<u>Cost</u>
21,559	7,518	Freehold land and buildings	21,559	8,306
33,601	10,829	Machinery, furniture and equipment	35,171	11,361
158	366	Vans and automobiles	158	457
	<u>5,324</u>	Construction in progress		<u>5,379</u>
<u>55,318</u>	<u>24,037</u>		<u>56,888</u>	<u>25,503</u>
	<u>79,355</u>			<u>82,391</u>

KELLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS - 31 DECEMBER 1979 (CONTINUED)

5 FIXED ASSETS (CONTINUED)

Substantially the whole of the fixed assets of the group were professionally valued as at 31 December 1977 at depreciated replacement cost having regard to age and estimated remaining useful lives. In all cases government grants received have been deducted.

Contracts for capital expenditure at 31 December 1979, for the company and for the group, amounted to £237,000 (1978 - £1,985,000). In addition capital expenditure authorised by the directors but not contracted for amounted to £2,804,000 (1978 - £2,600,000).

6 INTERESTS IN SUBSIDIARIES

	<u>1979</u>	<u>1978</u>
	<u>£'000s</u>	<u>£'000s</u>
Shares at cost less amounts provided for losses		
Owing by subsidiaries	297	297
Owing to subsidiaries	380	2,892
	<u>(886)</u>	<u>(449)</u>
	(209)	2,740
	<u>=====</u>	<u>=====</u>

All subsidiaries are wholly owned and incorporated in England. Those subsidiaries trading are Askeys Limited, Favorite Food Products Limited, PH Foods Ltd, Mrs Smiths Frozen Foods Ltd and Cereal Packaging Limited.

7 STOCKS

	<u>Company</u>		<u>Group</u>	
	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>
	<u>£'000s</u>	<u>£'000s</u>	<u>£'000s</u>	<u>£'000s</u>
These comprise:				
Raw materials	20,583	10,310	20,930	10,703
Goods in process	265	233	284	264
Finished goods	4,409	6,506	5,351	7,317
Manufacturing supplies	<u>1,008</u>	<u>869</u>	<u>1,043</u>	<u>884</u>
	26,265	17,918	27,608	19,168
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

KELLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS - 31 DECEMBER 1979 (CONTINUED)

8 BANK LOAN

This loan, on which interest is payable at the rate of 2% above Midland Bank Base Rate, is repayable during 1980.

9 DEFERRED TAXATION

The potential liability to deferred taxation at 31 December at a rate of 52% comprises:

	<u>Company</u>		<u>Group</u>	
	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>
	<u>£'000s</u>	<u>£'000s</u>	<u>£'000s</u>	<u>£'000s</u>
Accelerated capital allowances	12,075	9,479	12,214	9,756
Stock appreciation relief	8,852	5,773	9,092	6,014
Other	<u>(277)</u>	<u>(190)</u>	<u>(406)</u>	<u>(211)</u>
	<u>20,650</u>	<u>15,062</u>	<u>20,900</u>	<u>15,559</u>

Of this amount, the balance sheet provision comprises:

Stock appreciation relief	3,778	-	3,778	-
Other timing differences	<u>(277)</u>	<u>(190)</u>	<u>(406)</u>	<u>(211)</u>
	<u>3,501</u>	<u>(190)</u>	<u>3,372</u>	<u>(211)</u>

10 DIRECTORS' EMOLUMENTS
(Excluding pension contributions)

The chairman and two other directors (1978 - 2) did not receive any emoluments from the company. Their emoluments were paid by the ultimate holding company which made a charge to this company. For the purposes of S196 of the Companies Act 1948 the amounts required to be shown are:

	<u>1979</u>	<u>1978</u>
	<u>£'000s</u>	<u>£'000s</u>
Chairman and highest paid director	<u>43</u>	<u>40</u>
Other directors within the following ranges:		
£0 - £5,000	1	-
£5,001 - £10,000	-	1
£10,001 - £15,000	1	1

KELLOGG COMPANY OF GREAT BRITAIN LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS - 31 DECEMBER 1979 (CONTINUED)

10 DIRECTORS' EMOLUMENTS (CONTINUED)

Directors remunerated by the company	<u>1979</u>	<u>1978</u>
£5,001 - £10,000	1	-
£10,001 - £15,000	-	1
£15,001 - £20,000	1	2
£20,001 - £25,000	2	3
£25,001 - £30,000	2	1

11 RETAINED EARNINGS

	<u>Company</u>	
	<u>1979</u>	<u>1978</u>
	<u>£'000s</u>	<u>£'000s</u>
As previously reported	24,932	21,167
Prior year adjustment on change in accounting policy (Note 2)	<u>15,595</u>	<u>10,958</u>
	40,527	32,125
Retained earnings for the year	<u>5,095</u>	<u>8,402</u>
	<u>45,622</u>	<u>40,527</u>

12 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Kellogg Company, Battle Creek, incorporated in the United States of America.