COMPANY REGISTRATION NUMBER 03233144

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

FINANCIAL STATEMENTS

29 December 2012

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 29 December 2012

The Directors present their report and the audited financial statements of the Company for the period from 1 January 2012 to 29 December 2012 (the "year ended 29 December 2012")

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The principal activity of the Company during the year was the provision of administration and related services to the European operating units of its ultimate parent undertaking, Kellogg Company.

Turnover for the financial year ended 2012 was £37,915,000 (2011 £38,626,000) and profit before tax was £730,000 (2011 £2,267,000)

The Company continues to strive to provide efficient and cost effective services to its customers

Future outlook

The Directors expect the current level of business to be sustainable for the foreseeable future

Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business

RESULTS AND DIVIDENDS
The trading profits for the year and the Company's financial position at the end of the year are shown in the attached financial statements (pages 7 to 24)

The Directors do not recommend the payment of a dividend (2011 £nil)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
The Company's operations expose it to a variety of financial risks that include the effects of changes in debt, foreign exchange risk and liquidity risk The Company has in place risk management programmes that seek to manage the financial exposures of the Company by monitoring levels of debt finance and the related finance costs

Interest rate risk
In order to ensure the stability of cash outflows and hence manage interest rate risk, the Company keeps under constant review its levels of debt, the maturity and currency of the debt, and the interest expense being incurred, including the split between fixed and variable interest rates Hedging would be considered should circumstances warrant it

Foreign exchange risk
The Company is exposed to transactional foreign exchange risks in the normal course of its business, principally on inter-company sales and purchases of goods and services The Company's policy on mitigating the effect of this currency exposure is to consider hedging up to 75% of the net exposure on certain transactions for up to twelve months forward by entering into forward foreign exchange contracts

The Company did not have any foreign currency swap contracts outstanding at the balance sheet date At 31 December 2011, the Company had a number of foreign currency swap contracts outstanding to hedge the foreign exchange exposure on future expected cash flows denominated in foreign currency The aggregate principle amount on contracts to sell foreign currency outstanding at 31 December 2011was £8,462,000 and the fair value of those contracts was an asset of £97,000 The aggregate principle amount on contracts to buy foreign currency outstanding at 31 December 2011 was £3,197,000 and the fair value of those contracts was an asset of £347,000

Liquidity risk
The Company continually reviews its working capital needs and is able to arrange a mix of long-term and short-term borrowings, to ensure the Company should always have sufficient available liquid funds for its operations

DIRECTORS
The Directors who served the Company during the year and up to the date of signing the financial statements were as follows, except where noted

J Gregory
S Hopwood
T Middleton (resigned 9th August 2013)
C Wilkinson
J Ayres-Smith
J Tafner

DIRECTORS' INDEMNITITES
The Company's ultimate holding company maintains liability insurance for the Directors and officers of the group This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006

DIRECTORS' RESPONSIBILITIES STATEMENT
The Directors are responsible for preparing the 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

DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)

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

DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the Directors are aware

- there is no relevant audit information of which the Company's auditor are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

GOING CONCERN

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate on the basis that the Company continues to have the financial support of Kellogg Company

EMPLOYEES

Established consultative structures continued to provide a framework for employee involvement and for discussion of an extensive range of issues of mutual interest The Company's programme of employee communication was continued with the staging of employee conferences at which Directors and senior management presented a financial and business review and highlighted plans for the future

Recruitment is based on achieving and maintaining a workforce including disabled persons who can reasonably be expected to become effective employees Selection is according to ability, acceptability to training, character dependability and potential for future advancement within the Company All employment is without discrimination on grounds of sex, marital status, sexual orientation, racial group, religion or belief age or disability

Whilst in employment, the Company ensures that all employees, including disabled persons, are given the opportunity to apply for and are considered for vacancies based on their abilities to fulfil the job requirements Special guidance ensures that disabled employees receive full and fair training opportunities for career development with the Company Newly disabled persons will, wherever possible, be retained within the workforce and in their original activity, subject to medical approval

Employees are encouraged to participate in the success of the business through profit sharing and employee share purchase schemes

INDEPENDENT AUDITORS
The Company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office as auditors for the ensuing year, and are deemed reappointed by virtue of Section 487 of the Companies Act 2006

Signed on behalf of the Directors

J Gregory
Director

Approved by the Directors on 23RD SEPTEMBER 2013 .

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

YEAR ENDED 29 December 2012

We have audited the financial statements of Kellogg Management Services (Europe) Limited for the year ended 29 December 2012 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 and 3 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) 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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 29 December 2012 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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Nicholas Gower (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
24 September 2013

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 29 December 2012

	Note	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
TURNOVER	2	37,915	38,626
Administrative expenses		(38,318)	(37,685)
OPERATING (LOSS) / PROFIT	3	(403)	941
Interest receivable and similar income		4	48
Interest payable and similar charges	6	(11)	(2)
Other finance income	11	1,140	1,280
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		730	2,267
Tax on profit on ordinary activities	7	165	(419)
PROFIT FOR THE FINANCIAL YEAR	14	895	1,848

All of the activities of the Company are classed as continuing

There is no material difference between the profit on ordinary activities before taxation and the profit for the years stated above and their historical cost equivalents

The statement of accounting policies and notes on pages 10 to 24 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 29 December 2012

	Note	Year ended 29 December 2012 £000	Year ended December 2011 £000
Profit for the financial year attributable to the shareholders		895	1,848
Actuarial gain / (loss) in respect of defined benefit pension scheme	11	20	(5,310)
Deferred tax in respect of actuarial gain / (loss)	9	-	1,328
Total gains and losses recognised since the last annual report		915	(2,134)

The statement of accounting policies and notes on pages 10 to 24 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

BALANCE SHEET

AS AT 29 December 2012

	Note	29 December 2012 £000	31 December 2011 £000
CURRENT ASSETS			
Cash at bank and in hand		**1,119**	67
Debtors	**8**	**65,013**	64,036
		66,132	64,103
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	**10**	**(73,830)**	(71,650)
NET LIABILITIES EXCLUDING PENSION ASSET		**(7,698)**	(7,547)
Defined benefit pension scheme asset	**11**	**4,463**	3,420
NET LIABILITIES INCLUDING PENSION ASSET		**(3,235)**	(4,127)
CAPITAL AND RESERVES			
Called up share capital	**13**	**-**	-
Share options reserve	**14**	**1,243**	1,266
Profit and loss account	**14**	**(4,478)**	(5,393)
TOTAL SHAREHOLDERS' DEFICIT	**15**	**(3,235)**	(4,127)

These financial statements on pages 7 to 24 were approved by the Directors and authorised for issue on 23RD SEPTEMBER 2013. , and are signed on their behalf by

J Gregory
Director

Company Registration Number 03233144

The statement of accounting policies and notes on pages 10 to 24 form part of these financial statements.

Basis of accounting

The Directors have prepared the financial statements on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and with accounting standards applicable in the United Kingdom

The Directors consider it appropriate to prepare the financial statements on a going concern basis as they have received confirmation that the company will continue to receive financial support from its parent company Kellogg Company

The principal accounting policies, which have been applied consistently throughout the year, except as detailed below, are set out below

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements' (revised 1996) on the grounds that a group cash flow statement is included in the consolidated financial statements of its ultimate parent undertaking, Kellogg Company, whose financial statements are publicly available (note 16) and include the results of the Company

Related party transactions

As a 100% owned subsidiary, the Company is exempt under FRS 8 'Related party disclosures' from disclosing separately transactions with other entities in the group Consolidated financial statements of Kellogg Company, which incorporate the financial statements of the Company, are publicly available (note 16) The Company was not involved in any other related party transactions during the financial year

Turnover

Turnover, which excludes value added tax, represents the value of services supplied to other group companies, and is recognised in the same accounting period in which the services are performed

Operating leases

Rental payments due under operating lease agreements are expensed on a straight line basis over the lease term

Pension costs and other post-retirement benefits

Defined contribution scheme

Employees whose employment commenced after 1 April 2004 can apply for membership of the Kellogg Group's UK defined contribution pension scheme to which both employees and employer contribute

The assets of the scheme are independently administered and are held separately from those of the Company The pension expense arising in these accounts equates to the contributions paid by the employer

Defined benefit scheme

Employees whose employment commenced before 1 April 2004 were eligible to apply for membership of a defined benefit pension scheme The assets of the scheme are held separately from those of the Company

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using AA-rated corporate bonds of appropriate term and currency

Pension scheme assets are valued at bid price at the balance sheet date

The pension scheme surplus (being the excess of the fair value of the scheme assets over the present value of obligations in respect of pensionable service) is recognised in full on the balance sheet

The deferred tax relating to a defined benefit asset is offset against the defined benefit asset and not included with other deferred tax assets or liabilities

The current service cost of the defined benefit pension scheme is charged to operating profit as are past service costs including enhancements to scheme benefits that are already vested

Other finance income in respect of the scheme represents the excess of the expected return on scheme assets over the unwinding discount on scheme liabilities

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses along with the related deferred taxation

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Current tax

Corporation tax is provided on the assessable profits of the Company at the rate of tax prevailing during the financial year

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate

Transactions in a foreign currency are converted to sterling at the rate ruling at the date of the transaction or at the underlying contract rate where the transaction is hedged All differences on exchange are taken to the profit and loss account

Share-based payments

The ultimate parent company issues equity-settled share-based payments to certain employees (including Directors) Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest Once exercised the options are settled in equity by the ultimate parent company, which then recharges the Company

Fair value is measured using the Black-Scholes model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately

1. PERIOD COVERED

The financial statements cover the financial year from 1 January 2012 to 29 December 2012 (2011 the financial year was from 2 January 2011 to 31 December 2011)

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the Company An analysis of turnover is given below

	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
United Kingdom	**11,257**	11,534
Overseas	**26,658**	27,092
	37,915	38,626

3. OPERATING (LOSS) / PROFIT

Operating profit is stated after charging

	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
Services provided by the Company's auditor		
- Fees payable for the audit	**493**	363
- for other services	**-**	10
Operating lease and other hire costs		
- plant and machinery	**1,517**	1,489
- other	**548**	578
Net loss on foreign currency translation	**293**	69

Operating lease rentals include daily rentals of fixed assets from fellow subsidiaries

Audit fees for fellow group companies have been borne by the Company

4 PARTICULARS OF EMPLOYEES

The monthly average number of persons employed by the Company during the financial year, including the Directors, amounted to 354 (2011 345)

Employee numbers include executive Directors whose primary employer is the Company, and is adjusted for staff on secondment from and to affiliated group undertakings All employees worked in administration

The aggregate payroll costs of the above were

	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
Wages and salaries	**14,844**	15,299
Social security costs	**1,567**	1,554
Pension costs - defined benefit scheme	**1,620**	1,510
Pension costs - defined contribution scheme	**714**	601
Equity-settled share-based payments	**259**	330
	19,004	19,294

Pension costs - defined benefit scheme are amounts charged to operating profit and do not include amounts credited to finance income and amounts recognised in the statement of recognised gains and losses

5. DIRECTORS' EMOLUMENTS

	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
Aggregate emoluments	**894**	1,202
Company contributions to money purchase pension scheme	**–**	–
Compensation for loss of office	**–**	119
	894	1,321

Highest paid Director

	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
Total emoluments	**145**	217
Defined benefit pension scheme		
Accrued pension at end of year	**47**	22

5. DIRECTORS' EMOLUMENTS *(continued)*

Aggregate emoluments includes the gross emoluments receivable by one Director (2011 one), whose emoluments, whilst wholly paid by the Company, also relate to services he performs as Director of other group undertakings for which no direct charge is made Included within aggregate emoluments is £13,000 (2011 75,000) paid by the ultimate parent company for Directors' services No Director (2011 one) is a member of the group's UK defined contribution pension scheme Seven Directors, including the highest paid Director, (2011 nine, including the highest paid Director) were members of the U K group's defined benefit pension scheme

Eight Directors, including the highest paid director, (2011 ten Directors, including the highest paid Director) participated in a group employee share ownership scheme Six Directors exercised options during the year (2011 eight) The highest paid Director is entitled to shares under the share option scheme operated by the ultimate parent company During the current year the highest paid Director exercised options

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
Bank interest payable	**11**	2

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax (credit) / charge in the year

	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
Current tax:		
In respect of the year		
UK Corporation tax based on the results for the year at 24 5% (2011 - 26 50%)	**(124)**	115
Total current tax (credit) / charge (note 7(b))	**(124)**	115
Deferred tax:		
Origination and reversal of timing differences	**11**	486
Revaluation of tax asset due to change in future tax rate	**(52)**	(182)
Total deferred tax (note 9)	**(41)**	304
Tax (credit) / charge on profit on ordinary activities	**(165)**	419

7. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2011 lower) than the standard effective rate of corporation tax in the UK of 24 50% (2011 - 26 50%) for the following reasons

	Year ended 29 December 2012 £000	Year ended 31 December 2011 £000
Profit on ordinary activities before taxation	**730**	2,267
Profit on ordinary activities multiplied by the standard rate of tax	**179**	601
Permanent differences for tax purposes	**(1)**	-
Timing differences	**(302)**	(486)
Total current tax (note 7(a))	**(124)**	115

(c) Factors that may affect future tax charges

A resolution passed by Parliament on 3 July 2012 reduced the main rate of corporation tax to 23% from 1 April 2013 Legislation to reduce the main rate of corporation tax from 23% to 21% from April 2014 & from 21% to 20% from April 2015 was included in the Finance Bill 2013 This further expected rate reduction had not been substantively enacted at the balance sheet date and therefore are not included in the financial statements or considered material for disclosure purposes

8. DEBTORS

	29 December 2012 £000	31 December 2011 £000
Amounts owed by group undertakings	**64,208**	62,963
Corporation tax repayable	**9**	–
Prepayments and accrued income	**510**	1,015
Deferred taxation (note 9)	**286**	58
	65,013	64,036

Amounts owed by group undertakings are interest free, unsecured and repayable on demand Included within amounts owed by group undertakings is a foreign currency denominated balance of €nil (2011 €1,149,000) which is hedged by forward contracts

9 DEFERRED TAXATION

The deferred tax included in the balance sheet is as follows

	29 December 2012 £000	31 December 2011 £000
Included in debtors (note 8)	**286**	58

The movement in the deferred taxation account during the year was

	29 December 2012 £000	31 December 2011 £000
Balance brought forward	**58**	98
Adjustments in respect of prior periods	**246**	-
Origination and reversal of timing differences	**(6)**	(33)
Revaluation of tax asset due to change in future tax rate to 23%	**(12)**	(7)
Balance carried forward	**286**	58

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	29 December 2012 £000	31 December 2011 £000
Timing differences in respect of share-based payments	**286**	58
	286	58

Deferred tax provision relating to pension asset

	29 December 2012 £000	31 December 2011 £000
Balance brought forward	**(1,140)**	(2,203)
Adjustments in respect of prior periods	**45**	-
Origination and reversal of timing differences	**(296)**	(453)
Deferred tax charged to the statement of total recognised gains and losses	**-**	1,328
Revaluation of tax asset due to change in future tax rate to 23%	**64**	188
Balance carried forward	**(1,327)**	(1,140)

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29 December 2012 £000	31 December 2011 £000
Trade creditors	3,982	2,868
Amounts owed to group undertakings	65,747	65,496
Amounts owed to ultimate parent	469	149
Accruals and deferred income	3,632	3,137
	73,830	71,650

Amounts due to group undertakings are interest free, unsecured and repayable on demand All amounts due from group undertakings are sterling denominated (2011 sterling denominated)

11. PENSIONS AND OTHER POST RETIREMENT BENEFITS

Defined benefit scheme

The Company is a participating employer in the Kellogg's (Great Britain) Pension Fund ("the Fund") The cost of accrual is based on the Company's share of the combined salary roll of all participating employers and the contributions over the cost of accrual are based on the Company's split of the Fund's overall liability

FRS 17 figures disclosed below have been based on the results of the latest formal actuarial valuation of the Fund as at 6 April 2011, performed by Towers Watson, independent consulting actuaries The Projected Unit Method is used to calculate the current service cost The cost will change in the future should the age / salary / sex profile of the membership change As the Fund is closed to new entrants, the cost of the future accrual as a proportion of the salary roll can be expected to increase as the average age of the membership increases, on a given basis The requirements of FRS 17 to provide historical information have been complied with

The major assumptions used by the actuary were	**29 December 2012 %**	31 December 2011 %
Inflation	**3.15**	3 20
Rate of increase in salaries	**4.15**	4 20
Rate of increase of pensions in payment		
- Post 97/pre 05	**2.15**	2 20
- Post 05	**2.15**	2 20
Rate of increase for deferred pensioners	**2.15**	2 20
Discount rate	**4.45**	4 90

The mortality assumptions used were as follows

	29 December 2012 Years	31 December 2011 Years
Longevity at age 65 for current pensioners		
- Men	**20.2**	19 1
- Women	**22.0**	21 3
Longevity at age 65 for future pensioners		
- Men	**21.2**	20 0
- Women	**23.2**	22 1

11. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

The assets in the scheme and the expected rates of return at the end of the financial year were

	29 December 2012		31 December 2011	
	Long-term rate of return expected	**Value**	Long-term rate of return expected	Value
	%	**£000**	%	£000
Equities	**7.7**	**36,322**	7 6	31,950
Bonds	**3.9**	**8,255**	4 4	7,263
Property	**6.5**	**5,003**	6 7	4,903
Others	**2 2**	**450**	2 8	444
Total market value of assets		**50,030**		44,560
Present value of scheme liabilities		**(44,240)**		(40,000)
Surplus in the scheme		**5,790**		4,560
Related deferred tax liability		**(1,327)**		(1,140)
Net pension asset		**4,463**		3,420

In line with mandatory amendments to FRS 17 requirements the fund's assets are valued at bid price

11 PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

Reconciliation of present value of scheme liabilities

	29 December 2012 £000	31 December 2011 £000
Balance brought forward	**(40,000)**	(38,420)
Company share of service cost	**(1,620)**	(1,510)
Interest cost	**(1,870)**	(1,950)
Actuarial (loss) / gain	**(2,650)**	230
Benefits paid from scheme assets	**1,900**	1,650
Balance carried forward	**(44,240)**	(40,000)

Reconciliation of fair value of scheme assets

	29 December 2012 £000	31 December 2011 £000
Balance brought forward	**44,560**	46,580
Expected return on assets	**3,010**	3,230
Actuarial gain / (loss)	**2,670**	(5,540)
Employer contributions	**1,690**	1,940
Benefits paid	**(1,900)**	(1,650)
Balance carried forward	**50,030**	44,560

The Company is one of a number of participating employers in the Fund The nature of the Fund is such that the assets and liabilities are not segregated and so are allocated to each of the employers on a reasonable and consistent basis The allocation of assets and liabilities to each of the employers will be revisited following each formal valuation of the Fund, which will occur at least every three years The next formal valuation date for the Fund is 6 April 2014 The allocation may also be revisited following events such as any change to the number of employers participating in the Fund

11. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

There are no amounts included in the fair value of scheme assets relating to the Company's own financial instruments or property occupied by, or other assets used by the entity

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £8,240,000

Analysis of the amount charged to profit and loss

	Year ended 29 December 2012 £000	Year ended 31 December 2012 £000
Current service cost	**1,620**	1,510
Expected return on pension assets	**(3,010)**	(3,230)
Interest on pension scheme liabilities	**1,870**	1,950
Total	**480**	230

Amounts for the current and previous four years are as follows

	29 December 2012 £000	31 December 2011 £000	1 January 2011 £000	2 January 2010 £000	3 January 2009 £000
Defined benefit obligation	**(44,240)**	(40,000)	(38,420)	(36,660)	(29,020)
Scheme assets	**50,030**	44,560	46,580	40,260	33,150
Surplus	**5,790**	4,560	8,160	3,600	4,130
Experience gain/(loss) on scheme assets	**2,670**	(5,540)	2,550	3,810	(9,300)
Experience gain/(loss) on scheme liabilities	**(930)**	90	920	(260)	130
Total gain/(loss) recognised in the statement of total recognised gains and losses	**20**	(5,310)	2,490	(2,680)	(4,280)

12. COMMITMENTS UNDER OPERATING LEASES

The Company had annual commitments under non-cancellable operating leases as set out below

	Assets other than land and buildings	
	29 December 2012	31 December 2011
	£000	£000
Operating leases which expire		
Within 1 year	**108**	230
Within 2 to 5 years	**794**	609
	902	839

13. CALLED UP SHARE CAPITAL

Called up authorised share capital:

	29 December 2012	31 December 2011
	£	£
1,000 Ordinary shares of £1 each	**1,000**	1,000

Allotted and fully paid:

	29 December 2012		31 December 2011	
	Number	**£**	Number	£
Ordinary shares of £1 each	**2**	**2**	2	2

14 RESERVES

	Share options reserve £000	Profit and loss account £000
Balance brought forward	**1,266**	**(5,393)**
Profit for the financial year	**-**	**895**
Actuarial gain in respect of defined benefit pension scheme	**-**	**20**
Recognition of equity-settled share-based payments in the year	**259**	**-**
Exercise of options during the year	**(282)**	**-**
Balance carried forward	**1,243**	**(4,478)**

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	29 December 2012 £000	31 December 2011 £000
Profit for the financial year	**895**	1,848
Actuarial loss gain/(loss) in respect of defined benefit pension scheme	**20**	(5,310)
Deferred tax in respect of defined benefit pension scheme	**-**	1,328
Recognition of equity-settled share-based payments in the year	**259**	305
Exercise of options during the year	**(282)**	(96)
Net addition/(reduction) to shareholders' deficit	**892**	(1,925)
Opening shareholders' deficit	**(4,127)**	(2,202)
Closing shareholders' deficit	**(3,235)**	(4,127)

16. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Kellogg UK Holding Company Limited (registered in England and Wales) The ultimate parent company and controlling party is Kellogg Company, which is incorporated in the United States of America and is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of the financial statements of Kellogg Company can be obtained from One Kellogg Square, P O Box 3599, Battle Creek, Michigan, USA