COMPANY REGISTRATION NUMBER 03233144

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

FINANCIAL STATEMENTS

28 DECEMBER 2019

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

STRATEGIC REPORT

YEAR ENDED 28 DECEMBER 2019

The Directors present their strategic report of Kellogg Management Services (Europe) Limited (the "Company") for the 2019 financial year from 30 December 2018 to 28 December 2019 (2018 financial year: from 31 December 2017 to 29 December 2018).

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.

The results for the Company for the year show a profit before taxation of £3,941,000 (2018: £4,904,000) and turnover of £74,321,000 (2018: £73,746,000).

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

At the year end the Company showed net assets of £21,205,000 (2018: £19,471,000).

Principal risks and uncertainties
The Company is largely dependent on fellow group undertakings for its business and a principal risk borne by the Company is ensuring that its cost base is competitive in comparison to alternative sources of supply. The risk is mitigated by review of the cost base.

The Company is monitoring closely the risk posed by Coronavirus (COVID-19) and has implemented effective measures to safeguard employees and operations. The Company continues to monitor closely the situation and has a response team actively and continually reviewing and implementing appropriate safeguards across its facilities to effectively address the risks posed if the virus were to cause disruption to its operations in the UK. There is no impact from COVID-19 on the financial statements of 2019. The severity, magnitude and duration of the COVID-19 pandemic is uncertain and rapidly changing, however, there is no impact expected on the going concern of the Company.

SECTION 172 STATEMENT
The directors are fully aware of their duty under section 172 (1) of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. The directors consider that, during the year to 28 December 2019, they have had regard (amongst other matters) to:
a. the likely consequences of any decision in the long term;
b. the interest of the company's employees;
c. the need to foster the company's business relationships with suppliers, customers and others;
d. the impact of the company's operations on the community and the environment;
e. the desirability of the company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly as between members of the company.

Further details in relation to each of these matters is set out below.

Context

As a subsidiary of the Kellogg Group, the directors are assisted in these matters by the overarching group governance structures, procedures and policies, to which all group companies and employees must adhere. The directors also benefit from the expertise of certain group functions such as human resources, legal, procurement, internal audit and health and safety which operate with regard to various stakeholders and the success of all group companies.

The likely consequences of any decision in the long term - Taking a Long-Term approach

The directors are aware of the changing external landscape and the needs of its different stakeholder groups.

Where conflicts arise between the short term and long-term consequences of a decision these consequences are weighed carefully. Whilst precedence is given to long term benefits, the directors will consider whether these are outweighed by short term impacts in reaching their conclusions.

Employee Engagement
There is senior HR representation on the board of the Company. The welfare and development of the Company's employees is of highest importance to the directors, guided by Kellogg Company's internal K Values which sets out how all Company employees should behave.

The directors are confident that the Company as part of the Kellogg group has extensive processes in place to ensure the voice of employees is heard and acted upon where necessary. These include an employee forum. There is significant investment in employee engagement and communication through the use of regular employee huddles and the use of Yammer, a social networking tool designed to openly connect and engage across the business.

Significant emphasis is placed on creating an environment where all employees feel they can belong. The Company offers access to several Employee Resource Groups to enable participation of specific groups including women, LGBT+ employees and colleagues from BAME communities.

The Company is a signatory to the United Nation's backed Unstereotype Alliance which seeks to eradicate harmful stereotyping in advertising and media content.

Kellogg Company Equal Opportunities, Anti-Harassment and Bullying Policies are set out in a Company Handbook and a report into inclusion and diversity work is published annually.

Stakeholder Engagement
Business Relationships

The directors continually seek to maintain and develop strong and mutually beneficial relationships with the Company's suppliers and customers.

There are European wide processes and functions which assist the director in this regard. For example, the Company engages with its suppliers via European procurement teams as well as through other group functions such as legal, compliance and Health and Safety.

The Company builds partnerships with its suppliers ensuring they are responsible and capable of delivering our business needs.

Finance and Procurement teams review the financial stability and suitability of our suppliers in line with our policies and ethical standards. Regular supplier account management meetings take place to review performance.

The directors are committed to complying with all applicable local laws and regulations including in relation to modern slavery, human trafficking and anti-bribery and corruption. Contractual provisions are updated to ensure that external counterparties are obliged to adhere to all applicable laws and regulations.

All dealings with suppliers are governed by the Kellogg Company's Code of Ethics which seeks to set out the joint responsibilities of both the Company and those who supply it

Community and Environment

As Kellogg is one of Britain's most long-standing food companies, the directors understand their responsibility to help people make healthier choices and play a role in supporting and nurturing communities.

The Company's main corporate social responsibility efforts are focussed on helping to tackle food insecurity, through its support of school breakfast clubs and food banks.

The directors also recognise the impact of what Kellogg produces on the lives of people. That is why the directors have assisted the Kellogg Group to pursue a policy of working to improve the nutritional composition of its food including a 40% sugar reduction in one of Kellogg's most famous children's food in the UK – Coco Pops.

The directors are also aware of their responsibility to the planet and ensure that the Company adheres to extensive policies set at Kellogg group level to reduce its environmental impact in the areas of carbon, water, energy, road miles and freight, food waste, plastics and sustainable sourcing.

Kellogg Company is the signatory to several global multi-stakeholder pledges to address the environmental impact of its operations, including a pledge to ensure all its packaging is either reusable, recyclable or compostable by 2025. Progress against these targets is published on an annual basis in a Global CSR report.

Guarding corporate reputation

The directors are aware of Kellogg's reputation in the market place and their responsibility to ensure its good health.

Annually the Company participates in two different externally validated surveys to understand its reputation with two major stakeholder groups: consumers and employees.

This analysis helps directors understand the needs and expectations of stakeholders and independently assess the reputational impact of the various actions and decisions that the Company takes.

Alongside this, the Kellogg UK business has a full reputation management process in place to assist directors in the long-term protection and management of the Company's reputation.

High standards of business conduct

The directors strive to operate the business to the highest level of conduct. All staff are required to adhere to the Kellogg Company's Diversity and Inclusion Policy and its Anti-Harassment and Bullying Policy. Kellogg Company has an Office of Ethics and Compliance which acts as a guardian of the Company's policies and conducts regular ethics training for employees.

The Company's employees have full and free access to a whistleblowing service operated by Kellogg Company.

The directors also benefit from the work of group's Internal Audit function which performs routine audits which will review the overall control framework and the Company's compliance with Kellogg policies and procedures.

The need to act fairly as between members of the company.

The directors treat all external stakeholders collaboratively and fairly, and duly expect a level of conduct from them which aligns to the Company's values.

Key performance indicators
The Company's key financial performance indicators are turnover and operating profit.

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Turnover	**74,321**	73,746
Operating profit	**3,390**	4,417

In 2019 the Company's turnover and operating profit have increased and decreased respectively compared to prior year reflecting the level of services provided to other group companies. The Directors expect the current level of business to be sustained for the foreseeable future.

Signed on behalf of the Board of Directors

DocuSigned by:
Ben Lamont
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B Lamont
Director

Approved by the Directors on 10 December 2020

Registered Address: Orange Tower Media City UK, Salford, Manchester, M50 2HF

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the year from 30 December 2018 to 28 December 2019 (the "year ended 28 December 2019").

RESULTS AND DIVIDENDS

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements.

The Directors do not recommend the payment of a dividend (2018: £nil).

FUTURE OUTLOOK

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's operations expose it to a variety of financial risks that include the direct and indirect 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 the net exposure on certain transactions by entering into approved Treasury instruments.

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 operation. A cash pooling arrangement and overdraft facility is in place, detailed in note 11.

Price risk
The Company has no exposure to equity securities price risk as it holds no listed equity investments.

Credit risk
The Company is exposed to credit risk on amounts receivable from group undertakings. The balances due from group undertakings are reviewed regularly to ensure they are supported by the assets of the group company in question.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 28 DECEMBER 2019

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:
R Bradley
Robert O'Sullivan (appointed 31 January 2019)
S Platt (resigned 28 June 2019)
W Smith (resigned 31 January 2019)
N Jaynes (resigned 12 December 2019)
B Lamont (appointed 28 June 2019)
P Jones (appointed 10 December 2019)

DIRECTORS' INDEMNITITES

The ultimate holding company maintains liability insurance for the Directors and officers of the group. This was in place during the year and also at the date of approval of the financial statements and is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILTIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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.

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.

DIRECTORS' CONFIRMATIONS

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

DIRECTORS' CONFIRMATIONS *(continued)*

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors 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 auditors are aware of that information.

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, religious 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 performance related pay and employee share purchase schemes.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be re-appointed by virtue of Section 487 of the Companies Act 2006.

Signed on behalf of the Board of Directors

DocuSigned by:

Ben Lamont

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B Lamont

Director

Approved by the Directors on 10 December 2020

Report on the audit of the financial statements

Opinion

In our opinion, Kellogg Management Services (Europe) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 28 December 2019; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; the statement of accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 28 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Edward Moss

Edward Moss (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
11 December 2020

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february march.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 28 DECEMBER 2019

	Note	**Year ended 28 December 2019 £'000**	Year ended 29 December 2018 £'000
TURNOVER	**2**	**74,321**	73,746
Administrative expenses		**(70,931)**	(69,329)
OPERATING PROFIT	**3**	**3,390**	4,417
Interest receivable and similar income	**6**	**563**	521
Interest payable and similar expenses	**7**	**(12)**	(34)
PROFIT BEFORE TAXATION		**3,941**	4,904
Tax on profit	**8**	**(24)**	(867)
PROFIT FOR THE FINANCIAL YEAR		**3,917**	4,037

All of the activities of the Company are classed as continuing.

The statement of accounting policies and notes on pages 15 to 32 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 28 DECEMBER 2019

	Note	**Year ended 28 December 2019 £'000**	Year ended 29 December 2018 £'000
Profit for the financial year		**3,917**	4,037
Other comprehensive (expense) / income:			
Re-measurements of net defined benefit asset	**13**	**(2,630)**	(4,440)
Total tax on components of other comprehensive (expense)/income	**12**	**447**	755
Total comprehensive income for the financial year		**1,734**	352

The statement of accounting policies and notes on pages 15 to 32 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

BALANCE SHEET

AS AT 28 DECEMBER 2019

	Note	28 December 2019 £'000	29 December 2018 £'000
FIXED ASSETS			
Investments	9	**84**	84
		84	84
CURRENT ASSETS			
Debtors	10	**80,061**	72,174
Cash and cash equivalents		**9,183**	8,896
		89,244	81,070
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	**(79,877)**	(75,504)
NET CURRENT ASSETS		**9,367**	5,566
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,451**	5,650
PROVISIONS FOR LIABILITIES	12	**(2,406)**	(2,829)
POST-EMPLOYMENT BENEFITS	13	**14,160**	16,650
NET ASSETS		**21,205**	19,471
CAPITAL AND RESERVES			
Called up share capital	15	**-**	-
Profit and loss account		**21,205**	19,471
TOTAL EQUITY		**21,205**	19,471

These financial statements on pages 11 to 32 were approved by the Directors and authorised for issue on 10 December 2020 and are signed on their behalf by:

DocuSigned by:

Ben Lamont

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B Lamont

Director

Company Registration Number: 03233144

The statement of accounting policies and notes on pages 15 to 32 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 28 DECEMBER 2019

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 30 January 2017	-	19,119	19,119
Profit for the financial year	-	4,037	4,037
Other comprehensive income for the financial year	-	(3,685)	(3,685)
Total comprehensive income for the financial year	-	352	352
Balance at 29 December 2018	-	19,471	19,471
Balance at 30 December 2018	**-**	**19,471**	**19,471**
Profit for the financial year	-	3,917	3,917
Other comprehensive expense for the financial year	-	(2,183)	(2,183)
Total comprehensive income for the financial year	-	1,734	1,734
Balance at 28 December 2019	**-**	**21,205**	**21,205**

The statement of accounting policies and notes on pages 15 to 32 form part of these financial statements.

General information

Kellogg Management Services (Europe) Limited (the "Company") is a company incorporated in the United Kingdom. The Company is registered and domiciled in England and Wales, with the registration number 03233144.

The Company is a private company limited by shares and the registered office is: Orange Tower Media City UK, Salford, Manchester, M50 2HF

Statements of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standards application in the United Kingdom and the Republic of Ireland ("FRS102") and the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention other than share-based payments recognised at fair value.

The preparation of financial statements in conformity with FRS102 required the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in critical accounting judgments and estimation.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

Exemptions for qualifying entities under FRS102

FRS102 allows the Company certain disclosure exemptions as a wholly owned subsidiary undertaking of Kellogg Company, which prepares consolidated financial statements that are publicly available and can be obtained from the address detailed in note 16. As a result the Company has taken advantage of the following exemptions:

- Certain disclosures surrounding financial instruments;
- The requirement to prepare a statement of cash flows;
- Disclosure of key management personnel compensation in total; and
- Certain disclosures surrounding share-based payments.

Cash flow statement

The Company has taken advantage of the exemption, under FRS102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Kellogg Company, includes the Company's cash flows in its own consolidated financial statements.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Directors believe that it is appropriate for the financial statements to be prepared on the going concern basis having received a letter of support from the ultimate parent undertaking, Kellogg Company, which indicates that it will continue to provide sufficient funds to enable the Company to meet all of its financial obligations as they fall due for the foreseeable future, a period of at least 12 months from the date of signing the financial statements.

The directors believe that it is appropriate for the financial statements to be prepared on the going concern basis having considered cash flow projections and having received a letter of support from the ultimate parent undertaking, Kellogg Company, which indicates that it will continue to provide sufficient funds to enable the Company to meet all of its financial obligations as they fall due for the foreseeable future, a period of at least 12 months from the date of signing the financial statements.

Consolidated financial statements

Consolidated financial statements have not been prepared as the Company is a wholly-owned subsidiary undertaking of Kellogg Company, which is incorporated in the United States of America, and which itself prepares consolidated financial statements that are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 401 of the Companies Act 2006.

These financial statements are the Company's separate financial statements.

Turnover

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

Employee benefits

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

Related parties transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned. 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.

Fixed asset investments

Investments in shares in group undertakings are recorded at cost less any provision for subsequent diminution in value, by reference to the higher of net realisable value and value in use. Impairment reviews are performed by the Directors when there has been an indication of potential permanent impairment in the carrying value of the investment. Any impairment is written off in the financial year in which it arises.

Pension costs and other post-retirement benefits

Defined contribution pension 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 financial statements equates to the contributions paid by the employer.

Following a company review of pension arrangements in the United Kingdom, and subsequent employee consultation, existing employees who were in the Defined Benefit pension scheme moved to the Defined Contribution pension scheme as and from 1 January 2019.

Defined benefit pension 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.

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets at the financial year end less the present value of the defined benefit obligation at the financial year end.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximately the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 're-measurement of net defined benefit asset'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a. The increase in pension benefit liability arising from employee service during the financial year; and

b. The cost of plan introductions, benefit changes, curtailments and settlements.

The net interest income/ (expense) is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This amount is recognised in profit or loss as 'net interest income/ (expense)'.

Taxation

Taxation expense recognised for the financial year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

Current taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the financial year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the financial year end except for certain exceptions. Unrelieved tax losses and deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the financial year end and that are expected to apply to the reversal of timing differences.

Foreign currencies

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in other comprehensive income as qualifying cash flow hedges.

Operating leases

Rentals due under operating lease agreements, where substantially all the benefits and risks of ownership remain with the lessor, are expensed on a straight line basis over the lease term.

Share-based payments

The Company's ultimate parent undertaking 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.

The Company has taken advantage of the exemption from disclosures under FRS102, paragraphs 26.18b) to 26.21 and 26.23, relating to share-based payments.

Dividends

Dividends payable are recognised in the financial year in which they are paid or approved by the Company shareholders. These amounts are recognised in the statement of changes in equity.

Dividend income is recognised in the financial year in which the right to receive payment is established.

Financial instruments

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at the market rate of interest, under FRS 102. Such assets are subsequently carried at amortised cost using the effective interest method.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest, under FRS 102. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within 'Creditors: amounts falling due within one year' in current liabilities.

Interest receivable and payable

Interest is recognised in the accounting period to which it relates.

Critical accounting judgements and estimation

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimate these factors in determining the net pension asset/ (obligation) in the balance sheet. The assumptions reflect historical experience and current trends. See note 13 for the disclosures relating to the defined benefit pension scheme.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Lease classification

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee.

1. FINANCIAL YEAR

The financial statements cover the 2019 financial year from 30 December 2018 to 28 December 2019 (2018 financial year: from 31 December 2017 to 29 December 2018).

2. TURNOVER

All of the Company's business and profit before taxation arose from its principal activity. A geographical analysis of origin of turnover is as follows:

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
United Kingdom	**15,713**	13,170
Overseas	**58,608**	60,576
	74,321	73,746

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Equity-settled share-based payments	**254**	675
Fees payable for services provided by the Company's auditors:		
- the Company's audit	**17**	17
- the audit of other group companies	**749**	607
- other services	**-**	78
Operating lease and other hire costs:		
- plant and machinery	**7,817**	5,934
Net loss on foreign currency translation	**145**	220

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 staff employed by the Company during the financial year, including the Directors, amounted to 228 (2018: 258).

The number of employees includes 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 28 December 2019 £'000	Year ended 29 December 2018 £'000
Wages and salaries	**14,080**	16,767
Social security costs	**1,749**	2,043
Other pension costs:		
- defined benefit scheme (note 13)	**780**	(2,510)
- defined contribution scheme (note 13)	**2,179**	425
Equity-settled share-based payments	**254**	675
	19,042	17,400

Pension costs relating to the defined benefit scheme are amounts charged to operating profit and do not include amounts credited to finance income and amounts recognised in other comprehensive income.

The Company's ultimate parent issued equity-settled share-based payments to certain employees. The vesting period of the options is three years and the maximum term of the options granted is ten years. The Company recognizes and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group, being the amount relating to the Directors and management of the Company.

5. DIRECTORS' EMOLUMENTS

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Aggregate emoluments	**452**	504
Company contributions to money purchase pension schemes	**88**	24
Compensation for loss of office	**60**	112
	600	640

5. DIRECTORS' EMOLUMENTS *(continued)*

Highest paid Director:

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Total emoluments	**164**	167
Compensation for loss of office	**88**	-
Defined benefit pension scheme	**12**	-

Five Directors (2018: two) are members of the group's UK defined contribution pension scheme. Two Directors, excluding the highest paid Director, (2018: two, excluding the highest paid Director) were members of the group's UK defined benefit pension scheme.

Seven Directors, including the highest paid Director, (2018: six, including the highest paid Director) participated in a group employee share ownership scheme. One Director (2018: one) exercised options during the year. Two Directors (2018: none) received no emoluments in respect of their services to the Company. Two Directors emoluments (2018: two) are paid by fellow subsidiary undertakings that make no recharge to the Company. They are a Director of a number of fellow subsidiary undertakings and it is not possible to make an apportionment of their emoluments in respect of this Company. Accordingly, these financial statements include no emoluments in respect of these directors.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Bank interest receivable	**83**	71
Defined benefit scheme:		
Net interest income (note 13)	**480**	450
	563	521

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Bank interest payable	**12**	34

8. TAX ON PROFIT

(a) Tax charge recognised in profit and loss

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Current tax:		
In respect of the year:		
UK Corporation tax based on the profit for the financial year at 19.00% (2018: 19.00%)	-	-
Adjustments in respect of prior years	-	-
Total current tax charge	-	-
Deferred tax:		
Origination and reversal of timing differences	**24**	867
Adjustments in respect of prior years	-	-
Total deferred tax charge (note 12)	**24**	867
Total tax charge on profit	**24**	867

(b) Tax (credit)/charge included in other comprehensive income

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Deferred tax:		
Origination and reversal of timing differences	**(447)**	(755)
Total tax (credit)/charge included in other comprehensive income/(expense)	**(447)**	(755)

8. TAX ON PROFIT *(continued)*

(c) Reconciliation of total tax credit

The tax assessed on the profit before taxation is lower than the standard rate of corporation tax in the UK of 19.00% (2018: lower than the standard effective rate of corporation tax in the UK of 19.00%) for the following reasons:

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Profit before taxation	**3,941**	4,904
Profit before taxation multiplied by the standard rate of tax	**749**	932
Expenses not deductible for tax purposes	**-**	9
Income not deductible for tax purposes	**(9)**	-
Group relief claimed	**(673)**	28
Transfer pricing adjustments	**(40)**	-
Effect of deferred tax provided at different rates	**(3)**	(102)
Total tax charge	**24**	867

(d) Factors that may affect future tax charges

The standard rate of corporation tax in the UK has been 19% with effect from 1 April 2017. Accordingly, the company's results for this accounting period are taxed at 19%.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced was to reduce the main rate to 17% from 1 April 2020 and this was substantively enacted in September 2016. As this change had been substantively enacted at the balance sheet date, its effect is included in these financial statements.

In the Chancellor's Budget on 11 March 2020 it was confirmed that the rate of corporation tax will remain at 19% from 1 April 2020. This measure (cancelling the enacted cut to 17%) will be made under a Budget resolution which has statutory effect under the provisions of the Provisional Collection of Taxes Act 1968. As such, it is substantively enacted on the passing of the resolution. The rate will also stay at 19% for the following year. As this change was not substantively enacted at the balance sheet date, its effect is not included in these financial statements. However, if it was included the impact would be to increase the recognised deferred tax liability by £283,056.

9. INVESTMENTS

	Shares in group undertakings £'000
COST AND NET BOOK VALUE	
At 28 December 2019 and 29 December 2018	**84**

The Company holds 4,399 ordinary shares in European Services Support SRL, a Romanian limited liability entity with registered office at Bucuresti Sectorul 2, Soseaua, Pipera, Nr. 43, Floreasca Park, Cladirea A, ETAJ 3 SI 4, Bucharest, Romania, representing 99.97% of the share capital of the company. The remaining 0.03% is owned by Kellogg U.K. Holding Company Limited. European Services Support SRL provides administration services to the European operating units of Kellogg Company.

10. DEBTORS

	28 December 2019 £'000	29 December 2018 £'000
Trade debtors	**33**	61
Amounts owed by group undertakings	**78,451**	70,685
Prepayments and accrued income	**1,577**	1,428
	80,061	72,174

All amounts owed by group undertakings and the ultimate parent company are interest free, unsecured and repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 December 2019 £'000	29 December 2018 £'000
Trade creditors	**9,587**	9,438
Bank overdraft	**5**	-
Amounts owed to group undertakings	**59,047**	50,794
Amounts owed to the ultimate parent company	**1,587**	2,261
Taxation and social security	**2,457**	2,731
Accruals and deferred income	**7,194**	10,280
	79,877	75,504

Amounts owed to group undertakings and the ultimate parent company are interest free, unsecured and repayable on demand.

The Company is party to a cash pooling agreement with Bank Mendes Gans (BMG) in conjunction with other group companies. Under the terms of this arrangement cross company guarantees exist. Positive and negative cash balances can be offset by the arranger. Guarantees for the cash pooling arrangement are held by the ultimate parent company Kellogg Company. The Company is also party to a group wide temporary overdraft facility of $30m.

12. PROVISIONS FOR LIABILITIES

The deferred tax included in the balance sheet is as follows:

	28 December 2019 £'000	29 December 2018 £'000
Included in provisions	**(2,406)**	(2,829)

The movement in the deferred tax provision during the financial year was:

	28 December 2019 £'000	29 December 2018 £'000
Balance brought forward	**(2,829)**	(2,717)
Adjustments in respect of prior years	**-**	-
Profit and loss account movement arising during the year	**(24)**	(867)
Effect of tax rate change on opening balances	**-**	-
Other comprehensive (expense)/income movement arising during the year	**447**	755
Balance carried forward	**(2,406)**	(2,829)

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

	28 December 2019 £'000	29 December 2018 £'000
Capital allowances	**1**	1
Post-employment benefits	**(2,407)**	(2,830)
Balance carried forward	**(2,406)**	(2,829)

The deferred tax liability relates to timing differences arising on the company's defined benefit pension scheme. These timing differences arise as tax deductions are received based on the actual contributions paid to the pension scheme. The amount of the tax deduction will therefore differ to the pension expense recognised in the profit and loss account or the actuarial gains/losses amount or other remeasurement effects recognised in the statement of other comprehensive income. The deferred tax liability in respect of the defined benefit scheme will reverse in line with the realisation of the defined benefit pension asset that is recognised on the company's balance sheet.

13. POST-EMPLOYMENT BENEFITS

The Company operates a number of pension schemes for its employees.

The amount recognised in the balance sheet is as follows:

	28 December 2019 £'000	29 December 2018 £'000
Net defined benefit pension scheme asset	**14,160**	16,650

The amount recognised in the profit and loss account is as follows:

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Defined benefit scheme:		
Current service cost	**780**	3,020
Curtailments	**-**	(5,530)
Defined contribution scheme	**2,181**	425
Total credit in operating profit	**2,961**	(2,085)
Defined benefit scheme:		
Net interest income	**(480)**	(450)
Total credit	**2,481**	(2,535)

13. POST-EMPLOYMENT BENEFITS *(continued)*

(a) 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 asset.

A comprehensive actuarial valuation of the Fund, using the projected unit credit method, was carried out at 6 April 2017 by Willis Towers Watson, independent consulting actuaries. 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. Adjustments to the valuation at the year-end have been made based on the following assumptions:

	28 December 2019 %	29 December 2018 %
Expected rate of increase of pensions in payment	**2.50**	2.45
Expected rate of increase for deferred pensioners	**2.50**	2.45
Discount rate	**2.05**	2.90
Rate of inflation	**3.20**	3.45

The mortality assumptions used were as follows:

	28 December 2019 Years	29 December 2018 Years
Longevity at age 65 for current pensioners:		
- Men	**21.0**	21.5
- Women	**23.4**	23.9
Longevity at age 65 for future pensioners:		
- Men	**21.9**	22.5
- Women	**24.6**	25.1

13. POST-EMPLOYMENT BENEFITS *(continued)*

(a) Defined benefit scheme *(continued)*

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 30 December 2018	114,130	(97,480)	16,650
Benefits paid	(5,710)	5,710	-
Employer contributions	440	-	440
Current service cost	-	(780)	(780)
Interest income/(expense)	3,230	(2,750)	480
Re-measurement gains/(losses):			
Actuarial losses	-	(14,170)	(14,170)
Return on plan assets excluding interest income	11,540	-	11,540
At 28 December 2019	123,630	(109,470)	14,160

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 in a reasonable and consistent manner. 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 actuarial valuation as at 6 April 2017 is complete. The next formal valuation date for the Fund is 6 April 2020. The allocation may also be revisited following events such as any change to the number of employers participating in the Fund.

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.

Total cost recognised as an expense:	**Year ended 28 December 2019 £'000**	Year ended 29 December 2018 £'000
Current service cost	780	3,020
Curtailments	-	(5,530)
Net interest income on net defined benefit asset	(480)	(450)
	300	(2,960)

13. POST-EMPLOYMENT BENEFITS *(continued)*

(a) Defined benefit scheme *(continued)*

The fair value of the plan assets was:	**28 December 2019 £'000**	29 December 2018 £'000
Equity instrument	**91,486**	77,380
Bonds	**17,926**	16,891
Property	**13,599**	13,467
Other	**619**	6,392
	123,630	114,130

The returns on plan assets was:	**Year ended 28 December 2019 £'000**	Year ended 29 December 2018 £'000
Interest income	**3,230**	3,200
Return on plan assets less interest income	**11,540**	(8,700)
Total return on plan assets	**14,770**	(5,500)

(b) Defined contribution scheme

The amount recognised as an expense for the defined contribution scheme was:

	Year ended 28 December 2019 £'000	Year ended 29 December 2018 £'000
Current year contributions	**2,181**	425

At the year end there were no prepaid or outstanding amounts (2018: none) in relation to the defined contribution scheme.

14. COMMITMENTS UNDER OPERATING LEASES

The Company had total minimum lease commitments under non-cancellable operating leases as set out below.

	28 December 2019		29 December 2018	
	Land and Buildings	**Other Items**	Land and Buildings	Other Items
	£'000	**£'000**	£'000	£'000
Operating leases which expire:				
Not later than one year	**993**	**493**	993	594
Later than one year and not later than five years	**3,971**	**878**	3,971	862
	4,964	**1,371**	4,964	1,456

15. CALLED UP SHARE CAPITAL

Allotted and fully paid:

	28 December 2019		29 December 2018	
	Number	**£**	Number	£
Ordinary shares of £1 each	**2**	**2**	2	2

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

16. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Kellogg U.K. Holding Company Limited which is 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, PO Box 3599, Battle Creek, Michigan, USA.