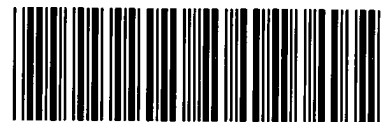


Company Registration No. 03533251 (England and Wales)

**PORTABLE FOODS MANUFACTURING
COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED
1 JANUARY 2022**

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PORTABLE FOODS MANUFACTURING COMPANY LIMITED

COMPANY INFORMATION

Directors	C Jones P Jones B Lamont S O'Neill
Secretary	Broughton Secretaries Limited
Company number	03533251
Registered office	Orange Tower Media City UK Salford Greater Manchester M50 2HF
Auditors	PricewaterhouseCoopers One Spencer Dock North Wall Quay Dublin 1

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 1 JANUARY 2022

The directors present the strategic report for the period ended 1 January 2022.

Principal activities and business review

The principal activity of the Company during the period was the consignment manufacturing of convenience food products on behalf of a fellow group company.

The Company has entered into a 12 months extension to the agreement, which runs to 31 December 2022, to provide consignment manufacturing services to an Irish group undertaking, Kellogg Europe Trading Limited.

The results for the Company for the period show a profit before taxation of £1,194,000 (period ended 2 January 2021: £1,585,000) and turnover of £17,432,000 (period ended 2 January 2021: £17,552,000). At the period end the Company showed net assets of £17,438,000 (as at 2 January 2021: £16,560,000).

Principal risks and uncertainties

The Company is largely dependent on a fellow group undertaking for its business. To ensure that this business relationship continues, the Company monitors pricing to ensure its cost base is competitive in comparison to alternative sources of supply. The Company manufactures products in a fast changing market sector and is in regular contact with its internal Kellogg customers regarding what additional manufacturing opportunities may arise and what plans Kellogg has for developing the products that the Company manufactures.

As part of the wider Kellogg Group the Company continues to closely monitor the risk posed by Coronavirus (COVID-19) and has implemented effective measures to safeguard employees and operations. There is no adverse impact from COVID-19 on the financial statements for the period ended 1 January 2022. The duration and ongoing impact of the COVID-19 pandemic is uncertain, however, there is no impact expected on the going concern of the Company.

As part of the wider Kellogg Group the Company is closely monitoring the situation of international tension due to the Russia/Ukraine conflict, including the impact of rising energy costs and economic uncertainty. There is no adverse impact from the conflict on the financial statements for the period ended 1 January 2022. The duration and ongoing impact of the conflict is uncertain, however, there is no impact expected on the going concern of the Company.

As the Company's product is either produced in the UK or moves through the UK from Europe, Brexit was a key consideration. The Company worked on putting a number of mitigation strategies in place to ensure there was no disruption caused to the business as a result of Brexit. As a result of the work undertaken, the Company has not seen any significant disruption to the flow of goods into Ireland and is working with the relevant authority to mitigate the impact of any additional tariff payments incurred.

Key performance indicators

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

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Turnover	17,432	17,552
Operating profit	1,193	1,583


Both key performance indicators performed satisfactorily in the period. Turnover and operating profit are in line with expectation based on the Kellogg Europe operating model.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

On behalf of the board

DocuSigned by:

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Director

24 October 2022

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 1 JANUARY 2022

The directors present their annual report and audited financial statements for the period ended 1 January 2022.

Results and dividends

The results for the period are set out on page 9.

No ordinary dividends were paid (period ended 2 January 2021: £nil). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

C Jones

P Jones

B Lamont

S O'Neill

(Appointed 26 April 2021)

Qualifying third party indemnity provisions

The ultimate holding company maintains liability insurance for the directors and officers of the group. This was in place during the period 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.

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, liquidity and interest rate risk. The Company has in place risk management programmes that seek to manage the financial exposures of the Company.

Foreign exchange risk

The Company is exposed to transaction 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

A Group-wide cash pooling arrangement and overdraft facility is in place, detailed in note 21.

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.

Price risk

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

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

Post reporting date events

On 21 June 2022, the Company's ultimate parent company Kellogg Company announced its intention to separate into three independent companies, by spinning off its US, Canadian and Caribbean cereal and plant-based businesses with these spin-off transactions targeted to be completed by the end of 2023. There is no financial impact on the Company as at the date of approval of these financial statements and no significant financial impact anticipated in the future.

As part of the wider Kellogg Group the Company is closely monitoring the situation of international tension due to the Russia/Ukraine conflict, including the impact of rising energy costs and economic uncertainty. There is no adverse impact from the conflict on the financial statements for the period ended 1 January 2022. The duration and ongoing impact of the conflict is uncertain, however, there is no impact expected on the going concern of the Company.

Going concern

After making inquiries and having considered cash flow projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The Company also received a letter of support from the ultimate parent undertaking, Kellogg Company, which confirms 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.

Future developments

The directors expect the outlook for 2022 to be challenging given the tough economic climate in which they operate. The directors will continue to monitor the performance and results of the Company and implement strategy as appropriate.

The Company's consignment manufacturing agreement with Kellogg Europe Trading Limited is due for renewal by 31 December 2022. The directors are confident that continued cost efficiencies will help secure its renewal.

Auditors

The auditors, PricewaterhouseCoopers, were appointed subsequent to the period end and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 period. Under that law the directors have elected to prepare 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; 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 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.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

Matters of strategic importance

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of principal activities and principal risks and uncertainties.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

DocuSigned by:

Philip Jones

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P Jones

Director

24 October 2022



Independent auditors' report to the members of Portable Foods Manufacturing Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Portable Foods Manufacturing Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 1 January 2022 and of its profit for the period 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 Annual Report and Financial Statements, which comprise:

- the statement of financial position as at 1 January 2022;
- the income statement for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 period ended 1 January 2022 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and environmental related legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting and management bias in accounting estimates. Audit procedures performed by the engagement team included:



- inquiry of management and the Company's in-house legal and compliance team around actual and potential non-compliance with laws and regulations;
- review of meeting minutes of those charged with governance; and
- testing journal entries meeting specific risk criteria.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Rose-Marie McNamara.

Rose-Marie McNamara (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
24 October 2022

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

INCOME STATEMENT

FOR THE PERIOD ENDED 1 JANUARY 2022

		Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
	Notes		
Turnover	3	17,432	17,552
Cost of sales		(16,239)	(15,969)
Operating profit	6	1,193	1,583
Interest receivable and similar income	8	1	2
Profit before taxation		1,194	1,585
Tax on profit	9	(316)	(159)
Profit for the financial period		878	1,426

All activities of the Company are classed as continuing

The Company has no other comprehensive income other than the results for the period as set out above.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 1 JANUARY 2022**

		1 January 2022		2 January 2021	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	10		11,910		12,856
Current assets					
Stocks	11	1,273		1,341	
Debtors	12	1,082		2,099	
Cash at bank and in hand		6,225		3,241	
		8,580		6,681	
Creditors: amounts falling due within one period	13	(2,308)		(2,564)	
Net current assets			6,272		4,117
Total assets less current liabilities			18,182		16,973
Creditors: amounts falling due after more than one period	14		(15)		-
Provisions for liabilities	16		(729)		(413)
Net assets			17,438		16,560
Capital and reserves					
Called up share capital	19		100		100
Profit and loss reserves	20		17,338		16,460
Total equity			17,438		16,560

The financial statements were approved by the board of directors and authorised for issue on 24 October 2022 and are signed on its behalf by:

DocuSigned by:

Philip Jones

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P Jones

Director

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY 2022

	Share capital	Profit and loss reserves	Total
	£000	£000	£000
Balance at 29 December 2019	100	15,034	15,134
Period ended 2 January 2021:			
Profit for the period	-	1,426	1,426
Balance at 2 January 2021	100	16,460	16,560
Period ended 1 January 2022:			
Profit for the period	-	878	878
Balance at 1 January 2022	100	17,338	17,438

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2022

1 Accounting policies

Company information

Portable Foods Manufacturing Company Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Orange Tower Media City UK, Salford, Greater Manchester, M50 2HF.

The company's principal activities and nature of its operations are disclosed in the Strategic report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the large and medium-sized Companies and Groups (accounts and reports) regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosure framework

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues';
- Section 26 'Share based Payment';
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Kellogg Company. These consolidated financial statements are available from its registered office, One Kellogg Square. PO Box 3599, Battle Creek, Michigan, USA.

Going concern

After making inquiries and having considered cash flow projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The Company also received a letter of support from the ultimate parent undertaking, Kellogg Company, which confirms 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.

Reporting period

The financial statements cover the financial period from 3 January 2021 to 1 January 2022 (comparative period - from 29 December 2019 to 2 January 2021).

Turnover

Turnover is recognised at the fair value of the consideration received or receivable services provided in the normal course of business, and is shown net of VAT, other sales related taxes and trade discounts. Turnover is recognised when services are provided.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

1 Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Plant and equipment	from 3 to 20 months
---------------------	---------------------

Assets in the course of construction are not depreciated.

Depreciation commences when an asset is available for use, at which time the asset ceases to be classified as under construction. If at any time there is a permanent diminution in the value of an asset and the net book amount is considered not to be recoverable in full, the net book value is written down to the estimated recoverable amount.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown in creditors due within one period.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

1 Accounting policies (Continued)

Financial instruments

Financial assets

Basic financial assets, including trade and other debtors, amounts owed by group undertakings, amounts owed by the ultimate parent 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 section 11 and 12 of FRS 102. Such assets are subsequently carried at amortised cost using the effective interest method.

Financial liabilities

Basic financial liabilities, including trade and other creditors, accruals, obligations under finance leases, amounts owed to group undertakings and bank overdrafts, 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. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method under section 11 and 12 of FRS 102.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. 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 taxation assets and liabilities are not discounted.

Current tax

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

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

Deferred taxation

Deferred tax arises from timing differences that are 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 reporting date 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 period end and that are expected to apply to the reversal of timing differences.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

1 Accounting policies (Continued)

Retirement benefits

Defined contribution scheme

Employees 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.

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 FRS 102, paragraphs 26.18b to 26.21 and 26.23, relating to share-based payments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All translation differences are taken to profit or loss.

Related party transaction

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 - see note 25. The Company was not involved in any other related party transactions during the financial period.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

1 Accounting policies (Continued)

Interest receivable and payable

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

Called up share capital

Ordinary shares are classified as equity.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Lease classification

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimate, based on technology advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of tangible assets and note 1 for the accounting policy showing the useful economic lives of each class of assets.

Obsolescence of inventory

Reviewing the level of obsolescence of inventories and its impact on the expected net realisable value, being the estimated selling price in the ordinary course of business less the estimated costs to be incurred in bringing the inventories to their selling location and in selling condition, and consequently the measurement of inventories. When calculating inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of goods.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

3 Turnover

An analysis of the company's turnover, which arose solely in the United Kingdom, is as follows:

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Turnover analysed by class of business		
Consignment manufacturing	17,432	17,552

4 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	Period ended 1 January 2022 Number	Period ended 2 January 2021 Number
Production	170	172
Administration	10	10
Total	180	182

Their aggregate remuneration comprised:

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Wages and salaries	7,637	7,831
Social security costs	746	790
Pension costs	688	687
	9,071	9,308

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

5 Directors' remuneration

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Remuneration for qualifying services	65	100
Company pension contributions to defined contribution schemes	7	12
	<u>72</u>	<u>112</u>

The emoluments of none of the directors (period ended 2 January 2021: one) are paid by fellow subsidiary undertakings that make no recharge to the Company. They are Directors of a number of fellow subsidiary undertakings and it is not possible to make an apportionment of their remuneration in respect of this Company.

Three directors received no remuneration in respect of their services to the Company (period ended 2 January 2021: three).

One director (period ended 2 January 2021: one) was a member of the UK group's defined benefit pension scheme.

Four directors (period ended 2 January 2021: four) are a member of the group's UK defined contribution scheme.

Four directors (period ended 2 January 2021: five) were entitled to shares under the share option scheme operated by the ultimate parent company. No directors (period ended 2 January 2021: one) exercised share options during the period.

6 Operating profit

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Operating profit for the period is stated after charging/(crediting):	£000	£000
Net gain on foreign currency translation	85	(82)
Depreciation of owned tangible fixed assets	1,528	1,586
Loss on disposal of tangible fixed assets	3	75
Operating lease charges	<u>400</u>	<u>398</u>

7 Auditor's remuneration

Audit fees amounting to £10,000 (period ended 2 January 2021: £10,000) are borne by a fellow group company and have not been reflected in the financial statements.

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

8 Interest receivable and similar income

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Interest income		
Bank interest receivable	1	2
	<u>1</u>	<u>2</u>

9 Tax on profit

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Deferred tax		
Origination and reversal of timing differences	183	129
Changes in tax rates	131	30
Adjustment in respect of prior periods	2	-
	<u>316</u>	<u>159</u>
Total deferred tax	<u>316</u>	<u>159</u>

The total tax charge for the period included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Profit before taxation	<u>1,194</u>	<u>1,585</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	227	301
Group relief	(73)	(172)
Deferred tax adjustments in respect of prior periods	2	-
Effect of change in deferred tax rate	175	30
Fixed asset differences	(18)	-
Transfer pricing adjustments	3	-
	<u>316</u>	<u>159</u>
Taxation charge for the period	<u>316</u>	<u>159</u>

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

9 Tax on profit (Continued)

The standard rate of corporation tax in the UK has been 19.00% with effect from 1 April 2017. Accordingly, the company's results for this accounting period are taxed at 19.00%. 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 17.00% from 1 April 2020 and this was substantively enacted in September 2016.

In the Chancellor's Budget on 11 March 2020 it was confirmed that the rate of corporation tax will remain at 19.00% from 1 April 2020.

Finance Bill 2021 was published on 11 March 2021. With effect from 1 April 2023, the bill sets the main rate of corporation tax at 25.00%. As this change has been substantively enacted at the balance sheet date, its effect is included in these financial statements.

10 Tangible assets

	Assets under construction £000	Plant and equipment £000	Total £000
Cost			
At 3 January 2021	315	15,984	16,299
Additions	497	75	572
Disposals	-	(12)	(12)
Transfers	13	-	13
	<u>825</u>	<u>16,047</u>	<u>16,872</u>
At 1 January 2022	825	16,047	16,872
Depreciation and impairment			
At 3 January 2021	-	3,443	3,443
Depreciation charged in the period	-	1,528	1,528
Eliminated in respect of disposals	-	(9)	(9)
	<u>-</u>	<u>4,962</u>	<u>4,962</u>
At 1 January 2022	-	4,962	4,962
Carrying amount			
At 1 January 2022	<u>825</u>	<u>11,085</u>	<u>11,910</u>
At 2 January 2021	<u>315</u>	<u>12,541</u>	<u>12,856</u>

Included within the net book value of plant and machinery, is £73,000 (period ended 2 January 2021: £0) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £2,000 (period ended 2 January 2021: £0).

11 Stocks

	1 January 2022 £000	2 January 2021 £000
Consumables	<u>1,273</u>	<u>1,341</u>

There is no significant difference between the replacement cost of consumables and their carrying amounts. Consumables are stated after provisions for obsolescence of £368,720 (period ended 2 January 2021: £91,000).

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

12 Debtors

	1 January 2022 £000	2 January 2021 £000
Amounts falling due within one period:		
Trade debtors	32	10
Amounts owed by group undertakings	847	1,977
Amounts owed by ultimate parent company	100	102
Prepayments and accrued income	103	10
	<u>1,082</u>	<u>2,099</u>

Amounts owed by group undertakings and the ultimate parent company are unsecured, accrue no interest and are repayable on demand.

13 Creditors: amounts falling due within one period

	Notes	1 January 2022 £000	2 January 2021 £000
Bank overdrafts		-	5
Obligations under finance leases	15	56	-
Trade creditors		816	910
Amounts owed to group undertakings		822	1,002
Accruals and deferred income		614	647
		<u>2,308</u>	<u>2,564</u>

Amounts owed to group undertakings are unsecured, accrue no interest and are repayable on demand.

14 Creditors: amounts falling due after more than one period

	Notes	1 January 2022 £000	2 January 2021 £000
Obligations under finance leases	15	15	-
		<u>15</u>	<u>-</u>

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

15 Finance lease obligations

	1 January 2022 £000	2 January 2021 £000
Future minimum lease payments due under finance leases:		
Less than one period	56	-
Between one and five periods	15	-
	<u>71</u>	<u>-</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

16 Provisions for liabilities

	Notes	1 January 2022 £000	2 January 2021 £000
Deferred tax liabilities	17	729	413

17 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 1 January 2022 £000	Liabilities 2 January 2021 £000
Balances:		
Accelerated capital allowances	729	413
	<u>729</u>	<u>413</u>
Movements in the period:		2022 £000
Liability at 3 January 2021		413
Charge to profit or loss		316
		<u>729</u>
Liability at 1 January 2022		<u>729</u>

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

18 Retirement benefit schemes

	Period ended 1 January 2022 £000	Period ended 2 January 2021 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	688	687

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At the period end, there were no amounts prepaid or outstanding in relation to the defined contribution scheme (period ended 2 January 2021: £nil).

19 Called up share capital

	1 January 2022 Number	2 January 2021 Number	1 January 2022 £	2 January 2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

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

20 Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

21 Financial commitments, guarantees and contingent liabilities

The Company is party to a cash pooling agreement with Bank Mendes Gans (NMG) 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 (period ended 2 January 2021: \$30m).

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	1 January 2022 £000	2 January 2021 £000
Within one period	33	52
Between one and five periods	9	42
	<u>42</u>	<u>94</u>

PORTABLE FOODS MANUFACTURING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 JANUARY 2022

23 Capital commitments

Amounts contracted for but not provided in the financial statements:

	1 January 2022 £000	2 January 2021 £000
Acquisition of tangible fixed assets	49	116
	<u>49</u>	<u>116</u>

24 Events after the reporting date

On 21 June 2022, the Company's ultimate parent company Kellogg Company announced its intention to separate into three independent companies, by spinning off its US, Canadian and Caribbean cereal and plant-based businesses with these spin-off transactions targeted to be completed by the end of 2023. There is no financial impact on the Company as at the date of approval of these financial statements and no significant financial impact anticipated in the future. There are no other subsequent events to note.

As part of the wider Kellogg Group the Company is closely monitoring the situation of internal tension due to the Russia/Ukraine conflict, including the impact of rising energy costs and economic uncertainty. There is no adverse impact from the conflict on the financial statements for the period ended 1 January 2022. The duration and ongoing impact of the conflict is uncertain, however, there is no impact expected on the going concern of the Company.

25 Ultimate controlling party

The Company's immediate parent undertaking is Kellogg Group S.a.r.l, which is incorporated in Luxembourg.

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, U.S.A.