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COMPANY REGISTRATION NUMBER 03233144

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

FINANCIAL STATEMENTS

2 JANUARY 2021

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KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

STRATEGIC REPORT

PERIOD ENDED 2 JANUARY 2021

The Directors present their strategic report of Kellogg Management Services (Europe) Limited (the "Company") for the 2020 financial period from 29 December 2019 to 2 January 2021 (2019: from 30 December 2018 to 28 December 2019).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The principal activity of the Company during the period 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 period show a profit before taxation of £4,858,000 (2019: £3,941,000) and turnover of £69,979,000 (2019: £74,321,000).

At the period end the Company showed net assets of £29,519,000 (2019: £21,205,000).

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

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.

As part of the wider Kellogg group 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. There is no adverse impact from COVID-19 on the financial statements for the period ended 2 January 2021. 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 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.

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 period to 2 January 2021, 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 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 (HR), Legal, Procurement, Internal Audit and Health and Safety which operate with regard to various stakeholders and the success of all group companies.

(a) 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.

The Directors work to promote the success of the Company, by considering the impact that their decisions may have on the Company, along with the Company's stakeholders, having regard to the requirements of section 172 (1) (a) – (f).

The Company is a UK subsidiary of the Kellogg Group. As the principal activity of the Company is the provision of administration and related services to the European operating units, the Company has had no commercial business or customers other than transactions with other Kellogg Group companies during the period. The Company has had suppliers in addition to transactions with other Kellogg Group companies during the period and, as such, the breadth of stakeholder and other considerations that would often apply in operating or commercial trading companies have applied to the decisions made by the Directors.

(b) 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.

(c) Business Relationships
The Directors continually seek to maintain and develop strong and mutually beneficial relationships with the Company's suppliers and customers in accordance with Kellogg Group procedures.

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(c) Business Relationships (continued)

There are European wide processes and functions which assist the Directors 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.

(d) 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 Group'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 Group 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.

(e) 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.

(e) 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 the 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.

(f) The need to act fairly 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.

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Turnover	**69,979**	74,321
Operating profit	**4,551**	3,390

In 2020 the Company's turnover and operating profit have decreased and increased respectively. In response to increasing cost pressures and in order to optimise the Company's cost base, in recent periods the Company has embarked on a programme of efficiency in its administrative services. The programme led to an increase in operating profit from a reduction in levels of service of the Company 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 8 December 2021

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

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

THE DIRECTORS' REPORT

PERIOD ENDED 2 JANUARY 2021

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the period from 29 December 2019 to 2 January 2021 (2019: from 30 December 2018 to 28 December 2019).

RESULTS AND DIVIDENDS

The trading results for the period and the Company's financial position at the end of the period are shown in the accompanying financial statements. A reclassification has been done on the Balance Sheet for the financial period ended 28 December 2019, detailed in note 13.

The Directors do not recommend the payment of a dividend (2019: £nil).

FUTURE OUTLOOK

The Directors expect the outlook for 2021 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.

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.

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 by the wider Kellogg group 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
A Group-wide cash pooling arrangement and overdraft facility is in place, detailed in note 14.

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.

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STREAMLINED ENERGY AND CARBON REPORTING DISCLOSURE (SECR)

The Company is a wholly owned subsidiary of Kellogg U.K. Holding Company Limited and provides administrative and other related services to the European operating units. Emissions are mainly associated with travel to provide services and support to Kellogg subsidiaries. Other emissions originate from the use of offices to conduct business. The energy consumption and greenhouse gas (GHG) emissions for the 2020 financial year are:

Table 1: 2020 Energy Consumption and Carbon Emissions by Type

Emission Type	**Energy [kWh]**	**GHG Emission [Tonne CO_2E] (1)**
Scope 1 – Fuel use from direct combustion of natural gas and fossil fuels. Travel in company owned vehicles	256	0.06
Scope 2 – Electricity	86,477	20.16 (Location based)
Scope 3 – Business travel - Personal cars where the company is responsible for the fuel; air / train travel originating and / or finishing in the UK	543,823	186.48
All scopes	819,403	206.71
No. Employees [FTE]	234.5	
Total Intensity Ratio	3,494 kWh/FTE	881.48 kg CO_2E/FTE (Location based)

METHODOLOGY

The Company generates scope 1 emissions from business travel in company owned vehicles. Currently there is no accurate recording of the type of vehicle used for each trip, so following the SECR guidance 2019, the energy use and emissions are calculated using the factors for average size unknown car.

The Company's indirect emissions are associated with the use of electricity from the grid at its main offices in Media City UK. To calculate the Scope 2 emissions, the Company follows the SECR guidance using the UK government official location-based emission factors.

Kellogg globally has joined the RE100 and established science-based targets. Kellogg Group has publicly made 3 commitments to fight climate change:

1. Reduce 45% of Scope 1 and 2 emissions by 2030 with baseline 2015;
2. Reduce 15% of Scope 3 emissions by 2030 with baseline 2015; and
3. 100% renewable electricity by 2050..

[1] Greenhouse gas emissions are reported in Ton of carbon dioxide equivalent (CO_2E)

STREAMLINED ENERGY AND CARBON REPORTING DISCLOSURE (SECR) *(continued)*

The methodology to calculate the full scope 3 emissions, including emissions from raw materials and suppliers, is currently being developed and externally verified. Therefore, this report includes only the scope 3 emissions from business related travel in non-company owned vehicles and public transport. The report will be updated once the methodology and calculations have been validated.

As with travel in company owned vehicles, currently there is no record of type of vehicle used for each trip, therefore the energy use and emissions are calculated using the factors for average size unknown car.

DIRECTORS

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

R Bradley
Robert O'Sullivan
B Lamont
P Jones

DIRECTORS' INDEMNITIES

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES 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 period. 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; and
- make judgements and accounting estimates that are reasonable and prudent.

STATEMENT OF DIRECTORS' RESPONSIBILTIES IN RESPECT OF THE FINANCIAL STATEMENTS ***(continued)***

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
- 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.

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 virtual 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.

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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 8 December 2021

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 2 January 2021 and of its profit for the period from 29 December 2019 to 2 January 2021;
- 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 2 January 2021; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the period 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

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.

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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 the 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 the Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the period ended 2 January 2021 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 the 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 in respect of the financial statements, 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.

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, employment law 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 legal expense accounts, assessing whether the nature of costs were indicative of non-compliance with laws and regulations;
- review of meeting minutes of those charged with governance;
- testing journal entries meeting specific risk criteria, testing accounting estimates for indication of management bias, and evaluating the business rationale of any significant transactions outside the normal course of business; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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.

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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.

Daniel Wilbourn

Daniel Wilbourn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
9 December 2021

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD ENDED 2 JANUARY 2021

	Note	**Period ended 2 January 2021 £'000**	Period ended 28 December 2019 £'000
TURNOVER	**2**	**69,979**	74,321
Administrative expenses		**(65,428)**	(70,931)
OPERATING PROFIT	**3**	**4,551**	3,390
Interest receivable and similar income	**6**	**325**	563
Interest payable and similar expenses	7	**(18)**	(12)
PROFIT BEFORE TAXATION		**4,858**	3,941
Tax on profit	**8**	**54**	(24)
PROFIT FOR THE FINANCIAL PERIOD		**4,912**	3,917

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

The statement of accounting policies and notes on pages 18 to 38 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

PERIOD ENDED 2 JANUARY 2021

	Note	**Period ended 2 January 2021 £'000**	Period ended 28 December 2019 £'000
Profit for the financial period		**4,912**	3,917
Other comprehensive income/(expense):			
Re-measurements of net defined benefit asset	13	**4,200**	(2,630)
Total tax on components of other comprehensive (expense)/income	15	**(798)**	447
Total comprehensive income for the financial period		**8,314**	1,734

The statement of accounting policies and notes on pages 18 to 38 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

BALANCE SHEET

AS AT 2 JANUARY 2021

	Note	**2 January 2021**	28 December 2019 *(Restated)*
		£'000	£'000
FIXED ASSETS			
Intangible assets	**9**	**771**	-
Tangible assets	**10**	**24,960**	-
Investments	**11**	**84**	84
		25,815	84
CURRENT ASSETS			
Debtors	**12**	**81,564**	80,061
Cash and cash equivalents		**15,101**	9,183
Post-employment benefits (*restated – note 13*)	**13**	**18,660**	14,160
		115,325	103,404
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE PERIOD	**14**	**(108,471)**	(79,877)
NET CURRENT ASSETS		**6,854**	23,527
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,669**	23,611
Provision for liabilities	**15**	**(3,150)**	(2,406)
NET ASSETS		**29,519**	21,205
CAPITAL AND RESERVES			
Called up share capital	**17**	**-**	-
Profit and loss account		**29,519**	21,205
TOTAL EQUITY		**29,519**	21,205

These financial statements on pages 14 to 38 were approved by the Directors and authorised for issue on 8 December 2021 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 18 to 38 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

STATEMENT OF CHANGES IN EQUITY

PERIOD ENDED 2 JANUARY 2021

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 30 December 2018	-	19,471	19,471
Profit for the financial period	-	3,917	3,917
Other comprehensive expense for the financial period	-	(2,183)	(2,183)
Total comprehensive income for the financial period	-	1,734	1,734
Balance at 28 December 2019	-	21,205	21,205
Balance at 29 December 2019	-	**21,205**	**21,205**
Profit for the financial period	-	4,912	4,912
Other comprehensive income for the financial period	-	3,402	3,402
Total comprehensive income for the financial period	-	8,314	8,314
Balance at 2 January 2021	-	**29,519**	**29,519**

The statement of accounting policies and notes on pages 18 to 38 form part of these financial statements.

KELLOGG MANAGEMENT SERVICES (EUROPE) LIMITED

STATEMENT OF ACCOUNTING POLICIES

PERIOD ENDED 2 JANUARY 2021

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.

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.

A reclassification has been done on the Balance Sheet for the financial period ended 28 December 2019, detailed in note 13.

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 periods 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 18. As a result the Company has taken advantage of the following exemptions:

- Certain disclosures surrounding financial instruments;
- 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;
- Disclosure of key management personnel compensation in total; and
- Certain disclosures surrounding share-based payments.

Going concern

The financial statements have been 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 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.

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 period in which the service is received.

Related party 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 18). The Company was not involved in any other related party transactions during the financial period.

Fixed asset investments

Investments in shares in group undertakings are recorded at cost less any provision for subsequent diminution in value. 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 period in which it arises. The Directors also consider reversals of historic impairments where the original indicators have ceased to apply in the current period.

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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 the 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 period end less the present value of the defined benefit obligation at the financial period 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 period; 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 'Interest receivable and similar income'.

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Taxation

Taxation expense recognised for the financial period 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 period. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the financial period 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 period 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 period 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 period 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.

Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation. Cost includes the original purchase price of the asset.

Amortisation is calculated, using the straight line method, so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual property	-	40 years
Software	-	from 3 to 5 years

Amortisation is charged to administrative expenses in the Profit and Loss account.

Property, plant and equipment

Fixed assets are stated at historical cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and machinery	-	from 3 to 20 years

The expected useful lives of the assets to the business are reassessed periodically.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Depreciation commences on a straight-line basis when an asset is available for use, at which time the asset ceases to be classified as construction in progress. 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 amount is written down to the estimated recoverable amount.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit and loss and included in 'Administrative expenses'.

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 period 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 period in which the right to receive payment is established.

Financial instruments

Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, 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 payables, bank loans, loans from fellow group companies and preference shares, 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.

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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 period' in current liabilities.

Interest receivable and payable

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

Share capital

Ordinary shares are classified as equity.

Critical accounting judgements and estimation

The Directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period is addressed below.

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. The bond universe used in calculating the discount rate assumption has been updated during the period based on the best estimate available.

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.

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 carrying amount of the property plant and equipment, and page 22 for the accounting policy showing the useful economic lives for each class of assets.

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1. FINANCIAL PERIOD

The financial statements cover the 2020 financial period from 29 December 2019 to 2 January 2021 (2019 financial period: from 30 December 2018 to 28 December 2019).

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:

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
United Kingdom	**146**	15,713
Overseas	**69,833**	58,608
	69,979	74,321

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Fees payable for services provided by the Company's auditors:		
- the Company's audit	**17**	17
- the audit of other group companies	**755**	749
- other services	**-**	-
Operating lease and other hire costs:		
- plant and machinery	**22**	7,817
Net (gain) / loss on foreign currency translation	**(92)**	145

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 period, including the Directors, amounted to 235 (2019: 228).

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:

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Wages and salaries	**16,695**	14,080
Social security costs	**1,764**	1,749
Other pension costs:		
- defined benefit scheme (note 13)	**-**	780
- defined contribution scheme (note 13)	**2,112**	2,179
Equity-settled share-based payments	**342**	254
	20,913	19,042

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

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Aggregate emoluments	**142**	452
Company contributions to money purchase pension schemes	**17**	88
Compensation for loss of office	**-**	60
	159	600

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5. DIRECTORS' EMOLUMENTS *(continued)*

Highest paid Director:

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Total emoluments	**142**	164
Compensation for loss of office	**-**	88
Value of company pension contributions to money purchase schemes	**17**	12

Three Directors (2019: five) are members of the group's UK defined contribution pension scheme. One Director, excluding the highest paid Director, (2019: two Directors, excluding the highest paid Director) were members of the group's UK defined benefit pension scheme.

Four Directors, including the highest paid Director, (2019: seven, including the highest paid Director) participated in a group employee share ownership scheme. One Director (2019: one) exercised options during the period. One Director (2019: three) received emoluments in respect of their services to the Company. Two Directors (2019: two) received no emoluments in respect of their services to the Company. One Director's emoluments (2019: 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

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Bank interest receivable	**25**	83
Defined benefit scheme:		
Net interest income (note 13)	**300**	480
	325	563

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Bank interest payable	**18**	12

8. TAX ON PROFIT

(a) Tax (credit) / charge recognised in profit and loss

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Current tax:		
In respect of the period:		
UK Corporation tax based on the profit for the financial period at 19.00% (2019: 19.00%)	**-**	-
Adjustments in respect of prior periods	**-**	-
Total current tax charge	**-**	-
Deferred tax:		
Origination and reversal of timing differences	**(337)**	24
Effect of tax rate change on opening balance	**283**	-
Total deferred tax (credit) / charge (note 15)	**(54)**	24
Total tax (credit) /charge on profit	**(54)**	24

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

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Deferred tax:		
Origination and reversal of timing differences	**798**	(447)
Total tax charge/(credit) included in other comprehensive income/(expense)	**798**	(447)

8. TAX ON PROFIT *(continued)*

(c) Reconciliation of total tax (credit)/charge

The tax assessed on the profit before taxation is lower than the standard rate of corporation tax in the UK of 19.00% (2019: lower than the standard rate of corporation tax in the UK of 19.00%) for the following reasons:

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Profit before taxation	**4,858**	3,941
Profit before taxation multiplied by the standard rate of tax	**923**	749
Income not deductible for tax purposes	**-**	(9)
Group relief claimed	**(998)**	(673)
Transfer pricing adjustments	**(262)**	(40)
Remeasurement of deferred tax for changes in tax rates	**283**	-
Effect of deferred tax provided at different rates	**-**	(3)
Total tax (credit)/charge	**(54)**	24

(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.

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. As this change (cancelling the enacted cut to 17%) had been substantively enacted at the balance sheet date, its effect is included in these financial statements.

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%. 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 £995,000 (2019: £283,000).

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9. INTANGIBLE ASSETS

	Assets in the course of Construction	Total
	£'000	£'000
COST		
At 29 December 2019	-	-
Additions	771	771
At 2 January 2021	771	771
ACCUMULATED AMORTISATION		
At 29 December 2019	-	-
Charge for the period	-	-
At 2 January 2021	-	-
NET BOOK VALUE		
At 2 January 2021	771	771
At 28 December 2019	-	-

10. TANGIBLE ASSETS

	Assets in the course of Construction	Plant and machinery	Total
	£'000	**£'000**	**£'000**
COST			
At 29 December 2019	-	-	-
Additions	6,606	-	**6,606**
Transfers from and to group undertakings	8,325	68,870	**77,195**
Disposals	-	(28)	**(28)**
Transfers	(8,976)	8,976	-
At 2 January 2021	5,955	77,818	**83,773**
ACCUMULATED DEPRECIATION			
At 29 December 2019	-	-	-
Charge for the period	-	8,009	**8,009**
On disposals	-	(6)	**(6)**
Transfers	-	50,810	**50,810**
At 2 January 2021	-	58,813	**58,813**
NET BOOK VALUE			
At 2 January 2021	**5,955**	**19,005**	**24,960**
At 28 December 2019	-	-	-

Transfers from group undertakings

During the period assets were transferred by group undertakings to the Company at net book value as part of the programme of efficiency.

11. INVESTMENTS

	Shares in group undertakings £'000
COST AND NET BOOK VALUE	
At 2 January 2021 and 28 December 2019	**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.

12. DEBTORS

	2 January 2021 £'000	28 December 2019 £'000
Trade debtors	**39**	33
Amounts owed by group undertakings	**79,879**	78,451
Prepayments and accrued income	**1,646**	1,577
	81,564	80,061

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

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:

	2 January 2021 £'000	28 December 2019 £'000
Net defined benefit pension scheme asset	**18,660**	14,160

The full amount of the defined benefit scheme asset has been reclassified into Current Assets, from the liabilities section, within the Balance Sheet for the prior period. The opening position as at 30 December 2018 was £16,650,000.

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13. POST-EMPLOYMENT BENEFITS *(continued)*

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

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Defined benefit scheme:		
Current service cost	-	780
Curtailments	-	-
Defined contribution scheme	**2,112**	2,181
Total charge in operating profit	**2,112**	2,961
Defined benefit scheme:		
Net interest income	**(300)**	(480)
Total charge	**1,812**	2,481

(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 2020 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 period end have been made based on the following assumptions:

	2 January 2021 %	28 December 2019 %
Expected rate of increase of pensions in payment	**2.55**	2.50
Expected rate of increase for deferred pensioners	**2.55**	2.50
Discount rate	**1.45**	2.05
Rate of inflation	**3.15**	3.20

13. POST-EMPLOYMENT BENEFITS *(continued)*

(a) Defined benefit scheme ***(continued)***

The mortality assumptions used were as follows:

	2 January 2021 Years	28 December 2019 Years
Longevity at age 65 for current pensioners:		
- Men	**20.3**	21.0
- Women	**23.4**	23.4
Longevity at age 65 for future pensioners:		
- Men	**21.2**	21.9
- Women	**24.5**	24.6

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 29 December 2019	**123,630**	**(109,470)**	**14,160**
Benefits paid	**(5,780)**	**5,780**	**-**
Employer contributions	**-**	**-**	**-**
Current service cost	**-**	**-**	**-**
Interest income/(expense)	**2,460**	**(2,160)**	**300**
Re-measurement (losses)/gains:			
Actuarial losses	**-**	**(5,520)**	**(5,520)**
Return on plan assets excluding interest income	**9,720**	**-**	**9,720**
At 2 January 2021	**130,030**	**(111,370)**	**18,660**

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 2020 is complete. The next formal valuation date for the Fund is 6 April 2023. 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.

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13. POST-EMPLOYMENT BENEFITS *(continued)*

(a) Defined benefit scheme *(continued)*

Total cost recognised as an (income)/expense:	**Period ended 2 January 2021 £'000**	Period ended 28 December 2019 £'000
Current service cost	**-**	780
Net interest income on net defined benefit asset	**(300)**	(480)
	(300)	300

The fair value of the plan assets was:	**2 January 2021 £'000**	28 December 2019 £'000
Equity instrument	**75,807**	91,486
Bonds	**18,724**	17,926
Property	**13,394**	13,599
Other	**22,105**	619
	130,030	123,630

The returns on plan assets was:	**Period ended 2 January 2021 £'000**	Period ended 28 December 2019 £'000
Interest income	**2,460**	3,230
Return on plan assets less interest income	**9,720**	11,540
Total return on plan assets	**12,180**	14,770

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13. POST-EMPLOYMENT BENEFITS *(continued)*

(b) Defined contribution scheme

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

	Period ended 2 January 2021 £'000	Period ended 28 December 2019 £'000
Current period contributions	**2,112**	2,181

At the period end there were no prepaid or outstanding amounts (2019: none) in relation to the defined contribution scheme.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE PERIOD

	2 January 2021 £'000	28 December 2019 £'000
Bank loans and overdrafts	**-**	5
Trade creditors	**7,712**	9,587
Amounts owed to group undertakings	**88,379**	59,047
Amounts owed to the ultimate parent company	**1,696**	1,587
Taxation and social security	**2,889**	2,457
Accruals and deferred income	**7,795**	7,194
	108,471	79,877

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.

15. PROVISIONS FOR LIABILITIES

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

	2 January 2021 £'000	28 December 2019 £'000
Included in provisions	**(3,150)**	(2,406)

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

	2 January 2021 £'000	28 December 2019 £'000
Balance brought forward	**(2,406)**	(2,829)
Profit and loss account movement arising during the period	**54**	(24)
Other comprehensive (expense)/income movement arising during the period	**(798)**	447
Balance carried forward	**(3,150)**	(2,406)

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

	2 January 2021 £'000	28 December 2019 £'000
Capital allowances	**1**	1
Post-employment benefits	**(3,151)**	(2,407)
Balance carried forward	**(3,150)**	(2,406)

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.

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16. COMMITMENTS UNDER OPERATING LEASES

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

	2 January 2021		28 December 2019	
	Land and Buildings £'000	**Other Items £'000**	Land and Buildings £'000	Other Items £'000
Operating leases which expire:				
Not later than one period	**993**	**450**	993	493
Later than one period and not later than five periods	**3,971**	**652**	3,971	878
Later than five periods	**1,986**	**-**	-	-
	6,950	**1,102**	4,964	1,371

17. CALLED UP SHARE CAPITAL

Allotted and fully paid:

	2 January 2021		28 December 2019	
	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.

18. 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.