

COMPANY REGISTRATION NUMBER: 03216332

**KELLOGG U.K. HOLDING COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**30 DECEMBER 2017**

MONDAY



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# KELLOGG U.K. HOLDING COMPANY LIMITED

## STRATEGIC REPORT

YEAR ENDED 30 DECEMBER 2017

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The Directors present their strategic report of the Company for the year from 1 January 2017 to 30 December 2017 (the "year ended 30 December 2017").

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activities of the Company during the year were that of an investment holding company and the provision of administration and related services to the European operating units of its ultimate parent undertaking, Kellogg Company.

The results for the Company for the year show a loss before taxation of £286,000 (2016: loss before taxation of £439,000) and turnover of £1,436,000 (2016: £1,147,000).

At the year end the Company had net assets of £124,074,000 (2016: £123,664,000).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company is largely dependent on fellow group undertakings 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.

### **KEY PERFORMANCE INDICATORS**

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

Signed on behalf of the Board of Directors



P Knowles

**Director**

Approved by the Directors on 29 August 2018

Registered office:  
Orange Tower  
Media City UK  
Salford  
Greater Manchester  
M50 2HF

# KELLOGG U.K. HOLDING COMPANY LIMITED

## THE DIRECTORS' REPORT

### YEAR ENDED 30 DECEMBER 2017

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The Directors have pleasure in presenting their report and the audited financial statements of the Company for the year from 1 January 2017 to 30 December 2017 (the "year ended 30 December 2017").

#### **RESULTS AND DIVIDENDS**

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

The Directors do not recommend the payment of a dividend (2016: £nil).

#### **FUTURE OUTLOOK**

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

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's operations expose it to a variety of financial risks that include 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 by monitoring levels of debt finance and the related finance costs.

##### **Interest rate risk**

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

##### **Liquidity risk**

The Company maintains a suitable profile of debt finance that is designed to ensure the Company always has sufficient available liquid funds for its operations.

##### **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.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### DIRECTORS

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

P Knowles  
S Hopwood (resigned as a Director on 20 February 2017)  
S Platt  
D Lawlor (resigned as a director 13 November 2017)  
A Critchley (appointed as a Director on 21 February 2017)

### DIRECTORS' INDEMNITIES

The ultimate holding company maintains liability insurance for the Directors and officers of the group. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

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

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the Directors are aware:

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

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487 of the Companies Act 2006.

Signed on behalf of the Board of Directors



P Knowles

**Director**

Approved by the Directors on 29 August 2018

# KELLOGG U.K. HOLDING COMPANY LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLOGG U.K. HOLDING COMPANY LIMITED

YEAR ENDED 30 DECEMBER 2017

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### Report on the audit of the financial statements

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#### Opinion

In our opinion, Kellogg U.K. Holding Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 December 2017; the Profit and Loss Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; the Statement of Accounting policies; and the notes to the financial statements.

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#### 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.

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#### Conclusions relating to going concern

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

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

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

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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.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLOGG U.K. HOLDING COMPANY LIMITED (*continued*)

YEAR ENDED 30 DECEMBER 2017

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

### *Strategic Report and 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 year ended 30 December 2017 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 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.

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](http://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.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELLOGG U.K. HOLDING COMPANY LIMITED (*continued*)

YEAR ENDED 30 DECEMBER 2017

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### Other required reporting

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#### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Edward Moss (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
29 August 2018



# KELLOGG U.K. HOLDING COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 DECEMBER 2017

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		Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
<b>TURNOVER</b>	<b>2</b>	<b>1,436</b>	1,147
Administrative expenses		<u>(1,710)</u>	<u>(1,343)</u>
<b>OPERATING LOSS</b>	<b>3</b>	<b>(274)</b>	(196)
Interest receivable and similar income	<b>5</b>	-	39
Interest payable and similar expenses	<b>6</b>	<u>(12)</u>	<u>(282)</u>
<b>LOSS BEFORE TAXATION</b>		<b>(286)</b>	(439)
Tax credit / (charge) on loss	<b>7</b>	<b>15</b>	(86)
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u><b>(271)</b></u>	<u>(525)</u>

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

The statement of accounting policies and notes on pages 12 to 27 form part of these financial statements.

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# KELLOGG U.K. HOLDING COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 DECEMBER 2017

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		Year Ended 30 December 2017 £000	Year Ended 31 December 2016 £000
Loss for the financial year		(271)	(525)
<b>Other comprehensive income / (expense)</b>			
Re-measurements of net defined benefit asset	12	820	(580)
Deferred tax in respect of actuarial loss/ (gain)	10	(139)	98
<b>Total comprehensive income / (expense) for the year</b>		<u>410</u>	<u>(1,007)</u>

The statement of accounting policies and notes on pages 12 to 27 form part of these financial statements.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## BALANCE SHEET

AS AT 30 DECEMBER 2017

		30 December 2017 £000	31 December 2016 £000
<b>FIXED ASSETS</b>			
Investments	8	45,410	45,410
<b>CURRENT ASSETS</b>			
Debtors	9	130,705	130,616
Cash and cash equivalents		-	-
		<u>130,705</u>	<u>130,616</u>
<b>CREDITORS: Amounts falling due within one year</b>	11	<u>(52,630)</u>	<u>(52,342)</u>
<b>NET CURRENT ASSETS</b>		<u>78,075</u>	<u>78,274</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>123,485</u>	<u>123,684</u>
<b>CREDITORS: Amounts falling due after more than one year</b>		-	-
Deferred tax	10	<u>(121)</u>	-
<b>NET ASSETS EXCLUDING PENSION ASSET / (LIABILITY)</b>		<u>123,364</u>	<u>123,684</u>
Post-employment benefits	12	<u>710</u>	<u>(20)</u>
<b>NET ASSETS</b>		<u>124,074</u>	<u>123,664</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1	1
Profit and loss account		<u>124,073</u>	<u>123,663</u>
<b>TOTAL EQUITY</b>		<u>124,074</u>	<u>123,664</u>

These financial statements on pages 8 to 27 were approved by the Board of Directors and authorised for issue on 29 August 2018 and are signed on its behalf by:



P Knowles  
Director

Company Registration Number: 03216332

The statement of accounting policies and notes on pages 12 to 27 form part of these financial statements.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 DECEMBER 2017

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	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 3 January 2016	1	124,670	124,671
	<hr/>	<hr/>	<hr/>
Loss for the financial year	-	(525)	(525)
Other comprehensive expense for the year	-	(482)	(482)
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(1,007)	(1,007)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2016	1	123,663	123,664
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2017	1	123,663	123,664
Loss for the financial year	-	(271)	(271)
Other comprehensive income for the year	-	681	681
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	410	410
	<hr/>	<hr/>	<hr/>
Balance as at 30 December 2017	1	124,073	124,074
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The statement of accounting policies and notes on pages 12 to 27 form part of these financial statements.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 30 DECEMBER 2017

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### General Information

Kellogg U.K. Holding Company Limited (the “Company”) is a company incorporated in the United Kingdom and registered and domiciled in England and Wales, with the registration number 03216332.

The Company is a private company limited by shares and the registered office is: Orange Tower, Media City UK, Salford, Greater 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 102, “The Financial Reporting Standards application in the United Kingdom and the Republic of Ireland” (“FRS 102”) and the Companies Act 2006.

### Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 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 estimate are significant to the financial statements are disclosed below in critical accounting judgments and estimation.

### Summary of significant accounting policies

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

### Going concern

After reviewing the Company’s forecasts and 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.

### Exemptions for qualifying entities under FRS 102

FRS 102 allows Kellogg U.K. Holding Company Limited 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 13. As a result the Company has taken advantage of the following exemptions:

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

# KELLOGG U.K. HOLDING COMPANY LIMITED

## STATEMENT OF ACCOUNTING POLICIES *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### **Cash flow statement**

The Company has taken advantage of the exemption, under FRS 102 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 flow in its own consolidated financial statements.

### **Employee benefits**

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

### **Turnover**

Turnover, which excludes value added tax, represents the value of services supplied, and is recognised when the service is performed.

### **Fixed asset investments**

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

### **Pension costs and other post-retirement benefits**

#### *Defined contribution scheme*

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

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

#### *Defined benefit scheme*

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

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 (liability)/asset recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets at the year end less the present value of the defined benefit obligation at the year end.

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

# KELLOGG U.K. HOLDING COMPANY LIMITED

## STATEMENT OF ACCOUNTING POLICIES *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### **Pension costs and other post-retirement benefits *(continued)***

The fair value of plan assets is measured in accordance with the FRS 102 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 period; and
- b. The cost of plan introductions, benefit changes, curtailments and settlements

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

### **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 year or prior year. 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.

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# KELLOGG U.K. HOLDING COMPANY LIMITED

## STATEMENT OF ACCOUNTING POLICIES *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### **Related parties transactions**

The Company discloses transactions with related parties which are not wholly owned with 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 13). The Company was not involved in any other related party transactions during the financial year.

### **Foreign currencies**

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account within administration expenses.

### **Share-based payments**

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

### **Consolidated financial statements**

Consolidated financial statements have not been prepared as the Company is a wholly-owned subsidiary undertaking of Kellogg Group S.à.r.l. (registered in Luxembourg) and is included in the consolidated financial statements of the ultimate holding company, Kellogg Company; which is incorporated in the United States of America, and which 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.

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# KELLOGG U.K. HOLDING COMPANY LIMITED

## STATEMENT OF ACCOUNTING POLICIES *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### **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. Such assets are subsequently carried at amortised cost using the effective interest method.

#### *Financial liabilities*

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

Derivatives, including forward foreign exchange contracts are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are included in a hedging arrangement.

#### **Interest receivable and payable**

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

#### **Cash and cash equivalents**

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

#### **Critical accounting judgements and estimation**

##### *Defined benefit pension scheme*

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend 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 obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 12 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.

##### *Fixed asset investments*

The Company considers whether fixed asset investments are impaired by reviewing objective evidence and data. Where an indication of impairment is identified it is necessary to use estimation techniques to determine the amount that the entity would receive for the asset if it were to be sold at the reporting date.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 DECEMBER 2017

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### 1. FINANCIAL YEAR

The financial statements cover the 2017 financial year from 1 January 2017 to 30 December 2017 (2016: from 3 January 2016 to 31 December 2016).

### 2. TURNOVER

Turnover of £1,436, 000 arose from sales in the United Kingdom attributable to the principal activity of the Company.

### 3. OPERATING LOSS

The emoluments of three (2016: three) of the Directors 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 emoluments in respect of this Company. Two (2016: Two) Directors received no emoluments in respect of their services to the Company.

Audit fees for the year amount to £3,000 (2016: £3,400) and are borne by fellow group subsidiaries.

### 4. PARTICULARS OF EMPLOYEES

The monthly average number of staff employed by the Company during the financial year amounted to:

	Year ended 30 December 2017 Number	Year ended 31 December 2016 Number
Administration	<u>13</u>	<u>18</u>

The aggregate payroll costs of the above were:

	Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
Wages and salaries	1,268	968
Social security costs	101	89
Other pension costs – defined benefit scheme	310	240
Other pension costs – defined contribution scheme	<u>12</u>	<u>16</u>
	<u>1,691</u>	<u>1,313</u>

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 recognises 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.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
Bank interest receivable	-	19
Net interest income (note 12)	-	20
	<u>-</u>	<u>39</u>

### 6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
Other finance charges	12	15
Interest on loans from group undertakings	-	267
	<u>12</u>	<u>282</u>

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

### 7. TAX ON LOSS

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

	Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
<b>Current tax:</b>		
UK Corporation tax based on the results for the year at 19.25% (2016: 20.00%)	-	-
Total current tax credit	<u>-</u>	<u>-</u>
<b>Deferred tax:</b>		
Adjustments in respect of prior years	-	106
Origination and reversal of timing differences	(15)	(14)
Effect of tax rate change on opening balance	-	(6)
Total deferred tax (note 10)	<u>(15)</u>	<u>86</u>
Tax (credit) / charge on loss	<u>(15)</u>	<u>86</u>

#### (b) Factors affecting current tax (credit) / charge

The tax assessed for the year is the higher than (2016: higher than) the standard effective rate of corporation tax in the UK of 19.25% (2016: 20.00%) for the following reasons:

	Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
Loss before taxation	<u>(286)</u>	<u>(439)</u>
Loss before taxation multiplied by the standard rate of 19.25% (2016: 20.00 %)	(55)	(88)
Adjustments in respect of prior years	-	106
Group relief surrendered	38	72
Effect of deferred tax provided at different rates	<u>2</u>	<u>(4)</u>
Total tax (credit) / charge	<u>(15)</u>	<u>86</u>

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### 7. TAX ON LOSS *(continued)*

#### (c) Factors that may affect future tax charges or credits

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and 18% from 1 April 2020.

At Budget 2016, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%. This change was substantively enacted on 6 September 2016.

Accordingly, the effect of this change was reflected in these financial statements.

### 8. INVESTMENTS

<b>COST AND NET BOOK VALUE</b>	<b>£000</b>
At 31 December 2016 and as at 30 December 2017	<b><u>45,410</u></b>

The Company's subsidiaries at 30 December 2017 were as follows:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Nature of business</b>	<b>Ownership</b>
Kellogg Marketing and Sales Company (UK) Limited	U.K	Marketing and sales	Direct
Kellogg Supply Services (Europe) Limited	U.K	Dormant	Direct
Kellogg Management Services (Europe) Limited	U.K	Administration	Direct
Kellogg Manchester	U.K	Investment holding	Direct
Kellogg Company of Ireland Limited	Ireland	Marketing and sales	Direct
Kellogg España SL	Spain	Marketing and sales	Direct
Kelf	U.K	Investment holding	Indirect
Kellogg European Services Support SRL	Romania	Administration	Direct
Kellogg Talbot LLC	U.S.A	Administration	Indirect
Kellogg Manufacturing Espana SLU	Spain	Manufacturing	Indirect

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### 8. INVESTMENTS *(continued)*

The registered office of each of the subsidiaries is Orange Tower, Media City UK, Salford, Greater Manchester, M50 2HF with the exception of the following:

Kellogg Company of Ireland Limited  
Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2, Ireland  
Kellogg España SL  
La Avenida de Europa 19, 2ª Planta, 28108 Alcobendas, Madrid, Spain.  
Kellogg European Services Support SRL  
43 Pipera Street, Floreasca Park, Building A, Floor 3 and 4, District 2, Bucharest, Romania  
Kellogg Manufacturing Espana SLU  
Poligono Industrial de Valls, Calle Licoristas, 43800 Valls, Tarragona, Spain

The Company owns 100% of the ordinary share capital in each entity with the exception of Kellogg Espana Srl in which it directly holds 99.8% of the ordinary share capital and Kellogg European Services Support SRL in which it directly holds 0.03% of the ordinary share capital. All the dormant companies did not trade in this or the previous financial year. The Directors believe that the book value of investments is supported by their underlying net assets.

### 9. DEBTORS

	30 December 2017 £000	31 December 2016 £000
Amounts owed by group undertakings	130,705	130,613
Deferred tax asset	-	3
	<u>130,705</u>	<u>130,616</u>

Amounts owed by group undertakings includes one loan of £130,559,000 (2016: one loan of £130,559,000) from the Company to fellow group undertakings. This is interest-free and repayable within one year.

### 10. DEFERRED TAX

	30 December 2017 £000	31 December 2016 £000
The deferred tax liability included in the balance sheet is as follows:	<u>(121)</u>	<u>-</u>

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# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 30 DECEMBER 2017

#### 10. DEFERRED TAXATION *(continued)*

The movement in the deferred taxation account during the year was:

	<b>30 December</b>	31 December
	<b>2017</b>	2016
	<b>£000</b>	£000
Asset/(liability) brought forward	3	(9)
Adjustments in respect of prior years	-	(106)
Deferred tax on post-employment benefits credited to the profit and loss account	15	20
Deferred tax on post-employment benefits (charged) / credited to other comprehensive (expense)/ income	<u>(139)</u>	<u>98</u>
(Liability) /asset carried forward	<u>(121)</u>	<u>3</u>

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

	<b>30 December</b>	31 December
	<b>2017</b>	2016
	<b>£000</b>	£000
Post-employment benefits	<u>(121)</u>	<u>3</u>
	<u>(121)</u>	<u>3</u>

#### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>30 December</b>	31 December
	<b>2017</b>	2016
	<b>£000</b>	£000
Bank loans and overdrafts	5,096	5,179
Amounts owed to group undertakings	47,389	47,109
Accruals and deferred income	145	54
	<u>52,630</u>	<u>52,342</u>

Amounts owed to group undertakings 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.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### 12. POST-EMPLOYMENT BENEFITS

The Company operates a number of pension schemes for its employees. The amount recognised in the balance sheet is as follows:

	<b>30 December 2017 £000</b>	31 December 2016 £000
Defined benefit scheme asset / (liability)	<u>710</u>	<u>(20)</u>
	<u>710</u>	<u>(20)</u>

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

	<b>Year ended 30 December 2017 £000</b>	Year ended 31 December 2016 £000
Defined benefit scheme		
Current service cost	310	240
Defined contribution scheme	<u>(12)</u>	<u>16</u>
Total charge in operating loss	298	256
Defined benefit scheme		
Net interest income (note 5)	<u>-</u>	<u>(20)</u>
Total charge	<u>298</u>	<u>236</u>

#### (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.



# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

### 12. POST-EMPLOYMENT BENEFITS *(continued)*

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

A comprehensive actuarial valuation of the Fund, using the projected unit credit method, was carried out at 5 April 2017 by Willis Towers Watson, independent consulting actuaries. The cost will change in the future should the age/salary/sex profile of the membership change. As the Fund is closed to new entrants, the cost of the future accrual as a proportion of the salary roll can be expected to increase as the average age of the membership increases, on a given basis. Adjustments to the valuation at the year-end have been made based on the following assumptions:

	30 December 2017 %	31 December 2016 %
Expected rate of salary increases	4.40	4.50
Expected rate of increase of pensions in payment	2.40	2.50
Expected rate of increase for deferred pensioners	2.40	2.50
Discount rate	2.65	2.50
Rate of inflation	3.40	3.50

The mortality assumptions used were as follows:

	30 December 2017 Years	31 December 2016 Years
Longevity at age 65 for current pensioners:		
- Men	21.6	21.4
- Women	24.0	23.3
Longevity at age 65 for future pensioners:		
- Men	22.6	22.7
- Women	25.1	24.8

#### Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 January 2017	4,010	(4,030)	(20)
Benefits paid	(180)	180	-
Employer contributions	220	-	220
Current service cost	-	(310)	(310)
Interest income/(expense)	120	(120)	-
Re-measurement gains/(losses):			
Actuarial loss	-	(400)	(400)
Return on plan assets excluding interest income	1,220	-	1,220
At 30 December 2017	5,390	(4,680)	710

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### 12. POST - EMPLOYMENT BENEFITS *(continued)*

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

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

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

	Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
Total cost recognised as an expense:		
Current service cost	310	240
Net interest income	-	(20)
	<u>310</u>	<u>220</u>

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### 12. POST –EMPLOYMENT BENEFITS *(continued)*

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

	30 December 2017 £000	31 December 2016 £000
The fair value of the plan assets was:		
Equity instrument	3,746	2,795
Bonds	782	573
Property	566	417
Other	296	225
	<u>5,390</u>	<u>4,010</u>

	Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
The returns on plan assets was:		
Interest income	120	130
Return on plan assets less interest income	1,220	290
Total return on plan assets	<u>1,340</u>	<u>420</u>

#### (b) Defined contribution scheme

The amount recognised as (income) / expense for the defined contribution scheme was:

	Year ended 30 December 2017 £000	Year ended 31 December 2016 £000
Current year (income) / expense	<u>(12)</u>	<u>16</u>

At the year-end there were no prepaid or outstanding amounts (2016: none) in relation to the defined contribution scheme.

# KELLOGG U.K. HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 DECEMBER 2017

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### 13. ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Kellogg Group S.à.r.l. (registered 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, PO Box 3599, Battle Creek, Michigan, USA.

### 14. CALLED UP SHARE CAPITAL

#### Allotted and fully paid:

	30 December 2017		31 December 2016	
	Number	£	Number	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

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