

COMPANY REGISTRATION NUMBER 09708194

K EUROPE HOLDING COMPANY LIMITED
FINANCIAL STATEMENTS
29 DECEMBER 2018

K EUROPE HOLDING COMPANY LIMITED

STRATEGIC REPORT

YEAR ENDED 29 DECEMBER 2018

The Directors present their strategic report of K Europe Holding Company Limited (the “Company”) for the 2018 financial year from 31 December 2017 to 29 December 2018 (the “year ended 29 December 2018”).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company during the year was that of an investment holding company.

In 2015, the Company acquired a joint venture investment in Multipro Singapore Pte Limited for \$368,800,000. During 2016 a purchase price adjustment on the investment made in Multipro Singapore Pte Limited of \$28,294,000 was received from Tolaram Africa Pte Limited which was reflected in the 2015 financial statements.

In 2015, the Company also purchased a call option to buy a 24.5% shareholding in Dufil Prima Foods Plc from Tolaram Africa Pte Limited for \$76,500,000.

In July 2017, the Company received notification that Dufil Prima Foods Plc, as at June 2017, had achieved the level of earnings as defined in the agreement for the purchase option to become exercisable for a one year period. During the exercise period, the Company validated the information provided in the notification and evaluated whether to exercise its right to acquire the 24.5% interest.

In May 2018, the Company exercised the option for a consideration of \$382,216,000 acquiring a 50% stake in Tolaram Africa Foods Pte Limited a holding company with a 49% equity interest in Dufil Prima Foods Plc and therefore an indirect investment of 24.5% in Dufil Prima Foods Plc. In conjunction with the exercise, the Company recognised a loss of \$45,094,000, representing an excess of cost over fair value of the investment. This amount has been recorded in 2017 within exceptional items in the profit and loss account.

In May 2018, the Company also invested \$37,500,000 for an additional 1% in Multipro Singapore Pte Ltd increasing its investment to a 51% holding in the leading distributor of a variety of food products in Nigeria and Ghana.

In September 2017, the Company acquired for \$50, a 50% shareholding in Kellogg Tolaram Noodles Singapore Pte. Limited; establishing a further joint venture with Tolaram Africa Pte Limited. The joint venture will carry on the development, marketing, manufacturing, distribution and sale of noodle products in African territories. In June 2018, the Company invested \$5,300,000 into the joint venture.

During the year, the Company also paid interest on its intercompany loans and received dividends from its investment.

The profit and loss account for the year ended 29 December 2018 is set out on page 10.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is largely dependent on fellow group undertakings for its business. A significant change in the business of its investments would impact the carrying value of the investment in the Company’s balance sheet.

K EUROPE HOLDING COMPANY LIMITED

STRATEGIC REPORT

YEAR ENDED 29 DECEMBER 2018

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



N Jaynes
Director

Approved by the Directors on 25 September 2019

Registered office:

Orange Tower, Media City UK, Salford, Greater Manchester M50 2HF

K EUROPE HOLDING COMPANY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 29 DECEMBER 2018

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the year 31 December 2017 to 29 December 2018 (the "year ended 29 December 2018").

RESULTS AND DIVIDENDS

The Company has presented its results under Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS102").

The Company made a profit of \$11,531,000 for the financial year (2017: \$35,051,000 loss).

The Directors do not recommend the payment of a dividend (2017: \$nil).

FUTURE OUTLOOK

The Company intends to act as an investment holding company for the foreseeable future.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's operations expose it to a variety of financial risks that include the direct and indirect effects of changes in debt, 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.

Price risk

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

Liquidity risk

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

DIRECTORS

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

P Headridge (resigned 2 January 2019)

P Knowles

R Kollepara

Nigel Jaynes (appointed 2 January 2019)

K EUROPE HOLDING COMPANY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 29 DECEMBER 2018

DIRECTORS' INDEMNITIES

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

POLITICAL DONATIONS

The Company made no political donations throughout the financial year.

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.

DIRECTORS' CONFIRMATIONS

Each of the directors, whose names and functions are listed in The Directors' Report confirm that, to the best of their knowledge:

- the company financial statements, which have been 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), give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

K EUROPE HOLDING COMPANY LIMITED

THE DIRECTORS' REPORT (*continued*)

YEAR ENDED 29 DECEMBER 2018

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.

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



N Jaynes
Director

Approved by the Directors on 25 September 2019

K EUROPE HOLDING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF K EUROPE HOLDING COMPANY LIMITED

YEAR ENDED 29 DECEMBER 2018

Report on the audit of the financial statements

Opinion

In our opinion, K Europe Holding Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 29 December 2018; the profit and loss account; the accounting policies; and the notes to the financial statements.

Basis for Opinion

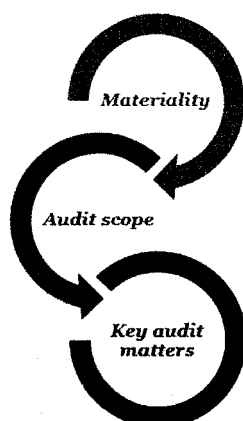
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall materiality: \$8,184,000 (2017: \$3,960,000), based on 1% of Total Assets.
- We performed an audit of the complete financial information.
- The company is an investment holding company which mainly holds investments and intercompany loans which it pays interest on.
- Carrying value of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

K EUROPE HOLDING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF K EUROPE HOLDING COMPANY LIMITED

YEAR ENDED 29 DECEMBER 2018

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>Carrying value of investments</i> This area is a key focus area given the value of the investments held on the balance sheet, \$797,797,000, and because the determination of whether or not investments were impaired involves inherent judgment by the Directors about the future results of the investment companies.	We reviewed management's assessment of whether there were any impairment indicators for any of the material investments that would trigger an assessment of the asset's recoverable amount. We corroborated management's assessment by agreeing relevant responses to a variety of internal and external evidence. No material differences were identified from our testing performed.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors' made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the directors' that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	\$8,184,000 (2017: \$3,960,000).
How we determined it	1% of Total Assets.
Rationale for benchmark applied	We believe that total assets is the most relevant benchmark as this is a not for profit investment company. .

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$409,000 (2017: \$198,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

K EUROPE HOLDING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF K EUROPE HOLDING COMPANY LIMITED

YEAR ENDED 29 DECEMBER 2018

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 29 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 4, 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.

K EUROPE HOLDING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF K EUROPE HOLDING COMPANY LIMITED

YEAR ENDED 29 DECEMBER 2018

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

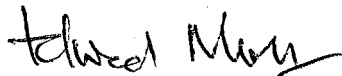
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Edward Moss (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
25 September 2019

K EUROPE HOLDING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 29 DECEMBER 2018

		Year ended 29 December 2018 \$000	Year ended 30 December 2017 \$000
	Note		
Administrative expenses			
- before exceptional items		(2)	-
- exceptional items	2	-	(45,094)
		(2)	(45,094)
OPERATING (LOSS)	3	(2)	(45,094)
Income from shares in group undertakings	4	22,161	20,799
Other interest receivable and similar income	5	264	138
Interest payable and similar expenses	6	(10,892)	(10,894)
PROFIT / (LOSS) BEFORE TAXATION		11,531	(35,051)
Tax on profit / (loss)	7	-	-
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		11,531	(35,051)

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

The Company has no comprehensive income other than the profit for the year as set out above and therefore no separate statement of comprehensive income has been presented.

The statement of accounting policies and notes on pages 13 to 23 form part of these financial statements.

K EUROPE HOLDING COMPANY LIMITED

BALANCE SHEET

AS AT 29 DECEMBER 2018

		As at 29 December 2018 \$000	As at 30 December 2017 \$000
	Note		
FIXED ASSETS			
Investments	8	797,797	371,912
CURRENT ASSETS			
Cash and cash equivalents		20,640	24,102
NET CURRENT ASSETS		20,640	24,102
TOTAL ASSETS LESS CURRENT LIABILITIES		818,437	396,014
CREDITORS: Amounts falling due after more than one year	9	(303,251)	(292,359)
NET ASSETS		515,186	103,655
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Share premium account		550,000	150,000
Profit and loss account		(34,814)	(46,345)
TOTAL EQUITY		515,186	103,655

These financial statements on pages 10 to 23 were approved by the Directors and authorised for issue on 25 September 2019 and are signed on their behalf by:


N. Jaynes
Director

Company Registration Number: 09708194

The statement of accounting policies and notes on pages 13 to 23 form part of these financial statements.

K EUROPE HOLDING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 DECEMBER 2018

	Called up share capital \$'000	Share premium account \$'000	Profit and loss account \$'000	Total equity \$'000
Balance at 1 January 2017	-	150,000	(11,294)	138,706
Loss for the financial year	-	-	(35,051)	(35,051)
Total comprehensive expense for the year	-	-	(35,051)	(35,051)
Balance at 30 December 2017	-	150,000	(46,345)	103,655
Balance at 31 December 2017	-	150,000	(46,345)	103,655
Proceeds from shares issued	-	400,000	-	400,000
Profit for the financial year	-	-	11,531	11,531
Total comprehensive income for the year	-	400,000	11,531	411,531
Balance at 29 December 2018	-	550,000	(34,814)	515,186

The statement of accounting policies and notes on pages 13 to 23 form part of these financial statements.

K EUROPE HOLDING COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 29 DECEMBER 2018

General Information

K Europe Holding Company Limited is a company incorporated in the United Kingdom, and registered and domiciled in England and Wales, with the registration number 09708194.

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 K Europe Holding Company Limited 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

These 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.

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 periods presented, unless otherwise stated.

Going concern

After making enquiries, 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 K Europe 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 11. 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; and
- Disclosure of key management personnel compensation.

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 flows in its own consolidated financial statements.

K EUROPE HOLDING COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 29 DECEMBER 2018

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 11). The Company was not involved in any other related party transactions during the financial year.

Fixed asset investments

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

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. 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 year 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.

Foreign currencies

The company's functional and presentation currency is the US Dollar.

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

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.

K EUROPE HOLDING COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 29 DECEMBER 2018

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. Non-basic financial assets are recognised initially at transaction price. At the end of each reporting period, all financial instruments are re-measured at fair value and any change in fair value is recognised through profit or loss. If a reliable measure of fair value is no longer available for an equity instrument (or a contract linked to such an instrument) that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date the instrument was reliably measurable is treated as the cost of the instrument. Financial instruments are measured at this cost amount less impairment until a reliable measure of fair value becomes available.

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.

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 borrowings in current liabilities.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds

Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Exceptional items

Items that are material in size and non-recurring in nature are presented as exceptional items in the profit and loss account, within the relevant account heading. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Company's underlying business performance. Events which may give rise to the classification of items as exceptional include, but are not restricted to restructuring of businesses or expenses incurred in relation to business acquisitions and impairment of investments.

K EUROPE HOLDING COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 29 DECEMBER 2018

Critical accounting judgements and estimation

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.

Financial instruments

FRS 102 requires the re-measurement to fair value of financial instruments at the end of each reporting period. An internal valuation of the “Dufil call option” (note 8) was undertaken as at 31 December 2016, using market multiples of EBIDTA from independent 3rd party sources, along with the limited financial information that has been made available to the Directors on Dufil results, given it is a non-publicly traded entity. The results of the valuation showed a wide range of potential values for the option with no individual outcome being any more representative of fair value than any other.

At 31 December 2016, the Directors took the decision in accordance with the requirements of FRS 102 s 12.8(a), that as the fair value of the Dufil option could not be reliably measured, then it should be measured at cost less impairment. Having undertaken an impairment review of the Dufil option as at 31 December 2016, which resulted in no indicators of impairment being identified, the Dufil call option remained at the initial September 2015 transaction price of \$76,500,000.

In July 2017, the Company received notification that the entity, as at June 2017, had achieved the level of earnings as defined in the agreement for the purchase option to become exercisable for a one year period. During the exercise period, the Company validated the information provided in the notification and evaluated whether to exercise its right to acquire the 24.5% interest.

In May 2018, the Company exercised the option for a consideration of \$382,216,000 acquiring a 50% stake in Tolaram Africa Foods Pte Limited a holding company with a 49% equity interest in Dufil Prima Foods Plc and therefore an indirect investment of 24.5% in Dufil Prima Foods Plc.

In conjunction with the exercise, the Company has recognised a loss of \$45,094,000, representing an excess of cost over fair value of the investment, and is management’s best estimate of the fair value of the option as at 31st December 2017. This amount has been recorded in 2017 within exceptional items in the profit and loss account (note 2).

K EUROPE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DECEMBER 2018

1. FINANCIAL YEAR

The financial statements cover the financial year from 31 December 2017 to 29 December 2018 (2017: the financial year from 1 January 2017 to 30 December 2017).

2. EXCEPTIONAL ITEMS

	29 December 2018 \$000	30 December 2017 \$000
Impairment of fixed asset investments	-	45,094

In May 2018, the Company exercised the option it held to purchase a 24.5% shareholding in Dufil Prima Foods Plc for a consideration of \$382,216,000. In conjunction with the exercise, the Company recognised a loss of \$45,094,000, representing an excess of cost over fair value of the investment (note 8). This amount has been recorded in 2017 within exceptional items in the profit and loss account.

3. OPERATING LOSS

The Company has no employees of its own (2017: nil) and relies on affiliated companies to provide administrative support. The emoluments 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 (2017: the same).

The audit fees for the year amount to £16,500 (2017: £16,500) and are borne by fellow group subsidiaries.

4. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended 29 December 2018 \$000	Year ended 30 December 2017 \$000
Income from group undertakings	<u>22,161</u>	<u>20,799</u>

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 29 December 2018 \$000	Year ended 30 December 2017 \$000
Bank interest receivable	<u>264</u>	<u>138</u>
	<u>264</u>	<u>138</u>

K EUROPE HOLDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 29 DECEMBER 2018

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 29 December 2018 \$000	Year ended 30 December 2017 \$000
Intercompany interest expense	<u>10,892</u>	<u>10,894</u>

7. TAX ON PROFIT / (LOSS)

(a) Tax expense included in profit and loss

	Year ended 29 December 2018 \$000	Year ended 30 December 2017 \$000
Current tax:		
UK Corporation tax based on the profit/(loss) for the year at 19.00% (2017: 19.25%)	-	-
Total tax charge	<u>-</u>	<u>-</u>

(b) Reconciliation of tax charge

The tax assessed on the profit/(loss) for the year is lower than (2017: higher than) the standard effective rate of corporation tax in the UK of 19.00% (2017: 19.25%) for the following reasons:

	Year ended 29 December 2018 \$000	Year ended 30 December 2017 \$000
Profit/(Loss) before taxation	<u>11,531</u>	<u>(35,051)</u>
Profit / (Loss) before taxation multiplied by the standard rate of tax	2,191	(6,747)
Income not taxable	(4,211)	(4,002)
Expenses not deductible	-	8,680
Group relief surrendered	<u>2,020</u>	<u>2,069</u>
Total tax charge	<u>-</u>	<u>-</u>

K EUROPE HOLDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 29 DECEMBER 2018

7. TAX ON PROFIT/(LOSS) (continued)

(c) Factors that may affect future tax charges

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

	\$000
COST	
As at 31 December 2017	417,006
Additions	425,885
At 29 December 2018	842,891
 PROVISION FOR IMPAIRMENT	
At 31 December 2017	45,094
Impairment (Note 2)	-
At 29 December 2018	45,094
 NET BOOK VALUE	
At 29 December 2018	797,797
At 30 December 2017	371,912

Analysed as:

	29 December 2018	30 December 2017
	\$000	\$000
51% shareholding in Multipro Singapore Pte Limited	378,082	340,506
50% shareholding in KT Noodles Singapore Pte Ltd	5,300	-
Dufil Call option	-	31,406
50% shareholding in Tolaram Africa Foods Pte Ltd	414,415	-
	797,797	371,912

K EUROPE HOLDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 29 DECEMBER 2018

8. INVESTMENTS (continued)

Multipro Singapore Pte Limited

Multipro Singapore Pte Limited (Multipro) was incorporated in June 2015 in Singapore by Tolaram Africa Pte Limited. In July 2015, Multipro Singapore Pte Limited acquired 100% shareholding of Multipro Private Limited, a sales and distribution company incorporated in Ghana. In the same month, Multipro Singapore Pte Limited also acquired 100% shareholding Multipro Consumer Products Limited, a company registered in Nigeria.

In August 2015, Multipro Consumer Products Limited acquired the assets and liabilities of two business divisions of Multipro Enterprises Limited, which is registered in Nigeria and a subsidiary of Tolaram Africa Pte Limited. This acquisition enabled Multipro Consumer Products Limited to carry on the business of selling, distribution, transport and logistics.

In September 2015, the Company acquired, for \$445 million, a 50% shareholding in Multipro Singapore Pte. Limited; establishing a joint venture with Tolaram Africa Pte Limited. The amount paid was subject to purchase price adjustments, including the finalisation of Multipro's 2015 earnings as defined in the agreement. In May 2016, a purchase price adjustment on the investment made in Multipro Singapore Pte Limited of \$28,294,000 was received from Tolaram Africa Pte Limited.

In May 2018, the Company invested \$37,500,000 for an additional 1% in Multipro Singapore Pte Ltd increasing its investment to a 51% holding.

Tolaram Africa Pte Limited is incorporated in Singapore and its immediate and ultimate holding company is Tolaram Group Inc (formerly Wishart Investments Inc), incorporated in the British Virgin Islands.

Profit for the financial year: Multipro Singapore Pte Limited and its subsidiaries:

	Year ended 30 December 2017 \$000
Profit for the financial year	38,542

Capital and Reserves: Multipro Singapore Pte Limited and its subsidiaries:

	As at 30 December 2017 \$000
Share capital	815,000
Merger reserve	(816,867)
Other reserves	(17,151)
Profit and loss account	36,342
Total equity	17,324

K EUROPE HOLDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 29 DECEMBER 2018

8. INVESTMENTS (*continued*)

During the year, the Company received \$14,861,000 (2017:\$20,799,000) of dividends from Multipro Singapore Pte Limited (Note 4).

The registered address of Multipro Singapore Pte Limited is 1A International Business Park, #13-01 Singapore 609933. The most recent audited consolidated financial statements for Multipro Singapore Pte Limited cover the financial year from 1 January 2017 to 31 December 2017.

Dufil Call option

In September 2015 the Company obtained an option to acquire 24.5% of an affiliated food manufacturing entity under common ownership based on a fixed multiple of future earnings as defined in the purchase agreement (Dufil Prima Foods Plc).

In July 2017, the Company received notification that Dufil Prima Foods Plc, as at June 2017, had achieved the level of earnings as defined in the agreement for the purchase option to become exercisable for a one year period. During the exercise period, the Company validated the information provided in the notification and evaluated whether to exercise its right to acquire the 24.5% interest.

In May 2018, the Company exercised the option for a consideration of \$382,216,000 acquiring a 50% stake in Tolaram Africa Foods Pte Limited a holding company with a 49% equity interest in Dufil Prima Foods Plc and therefore an indirect investment of 24.5% in Dufil Prima Foods Plc. Dufil Prima Foods Plc is a company incorporated in Nigeria.

In conjunction with the exercise, the Company recognised a loss of \$45,094,000, representing an excess of cost over fair value of the investment. This amount has been recorded in 2017 within exceptional items in the profit and loss account (note 2).

Kellogg Tolaram Noodles Singapore Pte Ltd

In September 2017, the Company acquired for \$50, a 50% shareholding in Kellogg Tolaram Noodles Singapore Pte. Limited; establishing a further joint venture with Tolaram Africa Pte Limited. The joint venture will carry on the development, marketing, manufacturing, distribution and sale of noodle products in African territories.

In January 2018, the Company invested in a 1% shareholding in Kellogg Tolaram Noodles Egypt LLC which is 98% owned by Kellogg Tolaram Noodles Singapore Pte. Limited and 1% owned by Tolaram Africa Pte Limited.

In June 2018, the Company invested \$5,300,000 into the Kellogg Tolaram Noodles Singapore Pte. Limited joint venture in return for 5,300,000 shares of \$1 each.

Kellogg Tolaram Noodles Singapore Pte. Limited is a private company limited by shares and is incorporated in Singapore.

K EUROPE HOLDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 29 DECEMBER 2018

8. INVESTMENTS (continued)

Loss for the financial period: Kellogg Tolaram Noodles Singapore Pte. Limited and its subsidiary:

	Period ended 31 December 2017 \$000
Loss for the financial year / period	(2,607)

Capital and Reserves: Kellogg Tolaram Noodles Singapore Pte. Limited and its subsidiary:

	As at 31 December 2017 \$000
Share capital	-
Other reserves	186
Profit and loss account	(2,607)
Total equity	(2,421)

The most recent audited consolidated financial statements for Kellogg Tolaram Noodles Singapore Pte. Limited cover the financial period from incorporation on 13th September 2017 to 31 December 2017.

The registered address of Kellogg Tolaram Noodles Singapore Pte. Limited is 1A International Business Park, #13-01 Singapore 609933.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	29 December 2018 \$000	30 December 2017 \$000
Amounts owed to group undertakings	303,251	292,359
	<u>303,251</u>	<u>292,359</u>

Amounts owed to group undertakings repayable in over one year relate to unsecured loans. A loan of \$225,000,000 (2017: \$225,000,000) payable to group undertakings, which bears interest at 4% (2017: 4%), is repayable on 15 September 2025. A loan of \$22,741,000 (2017: \$22,741,000) payable to group undertakings, which bears interest at 4% (2017: 4%), is repayable on 15 September 2025. A loan of \$20,300,000 (2017: \$20,300,000), which bears interest at 4.25% (2017: 4.25%), is repayable on 15 September 2025. No instalments were due before the dates of repayment (2017: nil).

K EUROPE HOLDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 29 DECEMBER 2018

10. CALLED UP SHARE CAPITAL

Allotted and fully paid:

	29 December 2018		30 December 2017	
	Number	\$	Number	\$
Ordinary shares of \$1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

On 29 July 2015, 1 share was issued for \$1. On 9 September 2015, 1 share was issued for \$150,000,000. There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

11. ULTIMATE PARENT COMPANY

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

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

In the case of a “no-deal” or “hard” Brexit on 31st October 2019, the Company recognises the potential impact of other factors. Adverse movements in the exchange rates, for example, have been considered but are difficult to quantify due to the volatile political environment, which impacts them on a daily basis.