

Registered number: 51491(Cardiff) and NF 00340 (Belfast)

**NESTLÉ UK LTD.**

**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**NESTLÉ UK LTD**

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**NESTLÉ UK LTD.**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**BUSINESS REVIEW**

The performance achieved during the period is set out in the Profit and loss account on page 7

The results of the company show a pre-tax profit of £124,878,000 (2013 - £25,235,000) for the year and turnover decreased year on year by 1.3% to £1,726,280,000 (2013 - £1,749,375,000)

The 2014 results include exceptional costs relating to the reorganisation/restructuring of the business of £5,035,000 (2013 - £2,295,000) See note 9 for further details

The company has net assets of £421,710,000 (2013 - net liabilities of £220,500,000)

**PRINCIPAL RISKS AND UNCERTAINTIES**

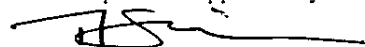
The management of the business of the company and the execution of its strategy are subject to a number of risks and uncertainties, including a difficult economic environment, a strong competitive environment, currency fluctuations, further trade consolidation, product innovation, employee retention and volatility in input costs

The directors of the company are aware of these risks and strategic decisions are made to manage these risks appropriately. These will include monitoring the performance of key brands, review of costs and the credit exposure to customers. The decision-making process and the assessment of business performance is supported by the experience of the management team, regular sales volume and value data and monthly management accounts, split by business channel.

The company has an exposure to the risk of currency fluctuations. This risk is managed by the regular monitoring of fluctuations in key currencies and entering into forward currency contracts to hedge future requirements as appropriate.

The group internal audit department monitors the operational risks of all parts of the business on a rotational/sample basis and will recommend improvements to business processes and controls to assist in the mitigation of identified business risks.

This report was approved by the board on 17 June 2015 and signed on its behalf



**M. Seiler**  
Director

## **NESTLÉ UK LTD.**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their report and the financial statements for the year ended 31 December 2014

#### **PRINCIPAL ACTIVITIES**

The company is the principal trading company for the businesses of Nestlé S A that are located within the United Kingdom. Nestlé S A is the world's leading nutrition, health and wellness company.

The company is principally engaged in the manufacture and sale of food and drinks and associated activities. The company continues its efforts to drive its core Beverage, Confectionery, Nutrition, Food and Food Services businesses.

The company has subsidiaries in the UK that are involved in the manufacture and sale of petfood, bottled water and nutrition products and the distribution of coffee capsules, machines and other related products.

The company has a subsidiary in Ireland that sells beverage, confectionery, petfood and water-related products. The subsidiary in Ireland has a subsidiary involved in providing nutrition products.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £121,351,000 (2013 - £22,176,000).

The directors do not recommend payment of a dividend (2013 - £NIL).

#### **DIRECTORS**

The directors who served during the year were:

F Kendrick  
D Hix (appointed 1 July 2014)  
M Seiler (appointed 6 October 2014)  
E Legge (resigned 6 October 2014)  
M Jones (resigned 1 August 2014)  
M Stripe  
M McKenzie  
B Paternot (resigned 1 February 2015)  
N Stephens (appointed 1 February 2015)  
P Hagmann

#### **REGISTERED OFFICE**

The company's registered office and principal trading address is:

1 City Place  
Gatwick  
West Sussex  
RH6 0PA

## **NESTLÉ UK LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **ENVIRONMENTAL MATTERS**

The company seeks to develop business practices and behaviour, which meet the highest standards of responsibility towards the environment. The company sees conservation and development as mutually reinforcing each other in pursuit of sustainable growth. The company seeks to go beyond mere compliance with the law, which it willingly embraces, to achieve, in particular, savings of energy and resources, and the reduction of waste and effluent in all its forms.

#### **FUTURE DEVELOPMENTS**

The external environment is expected to remain competitive and challenging in 2015. Higher commodity prices and other costs will continue to put significant pressure on the company.

The company has undertaken a multi-million pound investment programme, establishing the next generation of world class competitive manufacturing facilities in the United Kingdom.

#### **EMPLOYEE INVOLVEMENT**

Employees are recognised as key assets of the company and their quality and motivation are essential for the company to compete successfully in its markets. To help achieve corporate aims and objectives the company maintains and develops formal and informal systems of communication with its employees to discuss matters of mutual interest. Information on matters of concern to employees is given through bulletins, meetings, reports and newsletters, and includes information to enable them to gain awareness of financial and economic factors affecting the company.

The company fully supports the rights of individuals to seek, obtain and hold employment without discrimination on the grounds of race, colour, religion, origin, sex, sexual orientation, disability or marital status. The company seeks to provide a working environment free of any harassment or intimidation. Policies relating to training, career development and succession are applied equally to disabled and able bodied employees. Employees who become disabled are retained, where possible, through redeployment and retraining, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Occupational Health and Safety continued to receive the same high profile in 2014 with a commitment across all areas of the business to sustain the continual improvement in performance. Proactive preventative Occupational Health and Safety systems auditing continues and demonstrates increasing performance and the development of plans to continue with continual increase in performance.

#### **MATTERS COVERED IN THE STRATEGIC REPORT**

The business review and principal risks and uncertainties for the company are now included in the Strategic report.

#### **DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**NESTLÉ UK LTD.**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**AUDITOR**

Pursuant to section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

This report was approved by the board on 17 June 2015 and signed on its behalf

A handwritten signature in black ink, appearing to be 'M. Seiler', with a horizontal line extending to the right.

**M. Seiler**  
Director

## **NESTLÉ UK LTD.**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NESTLÉ UK LTD.**

We have audited the financial statements of Nestlé UK Ltd for the year ended 31 December 2014, set out on pages 7 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

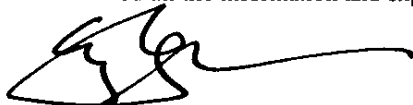
### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Hugh Green (Senior statutory auditor)  
for and on behalf of  
**KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London, E14 5GL

17 June 2015



**NESTLÉ UK LTD**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £000	2013 £000
<b>TURNOVER</b>	1,2	<b>1,726,280</b>	<b>1,749,375</b>
Cost of sales		<u>(1,325,471)</u>	<u>(1,376,518)</u>
<b>GROSS PROFIT</b>		<b>400,809</b>	<b>372,857</b>
Distribution costs		(108,199)	(111,881)
Administrative expenses		<u>(150,424)</u>	<u>(135,647)</u>
<b>OPERATING PROFIT</b>	3	<b>142,186</b>	<b>125,329</b>
Income from shares in group undertakings		84,443	-
Income from other participating interests		5,034	5,249
Interest receivable and similar income	7	2,746	4,578
Interest payable and similar charges	8	<u>(109,531)</u>	<u>(109,921)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>124,878</b>	<b>25,235</b>
Tax on profit on ordinary activities	10	<u>(3,527)</u>	<u>(3,059)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>121,351</b></u>	<u><b>22,176</b></u>

All amounts relate to continuing operations

The notes on pages 10 to 29 form part of these financial statements

There is no material difference between the result on ordinary activities before taxation and the result for the year as stated above for the years 31 December 2014 and 31 December 2013 respectively and their historical cost equivalents

NESTLÉ UK LTD

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £000	2013 £000
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>121,351</b>	<b>22,176</b>
Actuarial loss relating to pension and post retirement health schemes	(205)	(1,060)
Deferred tax attributable to actuarial loss	64	114
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>121,210</b>	<b>21,230</b>

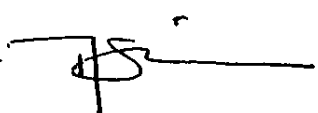
The notes on pages 10 to 29 form part of these financial statements

**NESTLÉ UK LTD.**  
**REGISTERED NUMBER: 51491(CARDIFF) AND NF 00340 (BELFAST)**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2014**

	Note	£000	2014 £000	2013 £000
<b>FIXED ASSETS</b>				
Intangible assets	11		38,367	39,380
Tangible assets	12		619,628	564,518
Investments	13		1,379,193	1,277,793
			<u>2,037,188</u>	<u>1,881,691</u>
<b>CURRENT ASSETS</b>				
Stocks	14	122,574		129,644
Debtors	15	501,560		626,517
Cash at bank		77,405		8,305
		<u>701,539</u>		<u>764,466</u>
<b>CREDITORS: amounts falling due within one year</b>	16	(1,270,601)	(1,152,171)	
<b>NET CURRENT LIABILITIES</b>			<u>(569,062)</u>	<u>(387,705)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,468,126</u>	<u>1,493,986</u>
<b>CREDITORS: amounts falling due after more than one year</b>	17		(1,013,403)	(1,689,141)
<b>PROVISIONS FOR LIABILITIES</b>				
Deferred tax	19	(7,433)		(665)
Other provisions	20	(19,235)		(19,558)
			<u>(26,668)</u>	<u>(20,223)</u>
<b>NET ASSETS/(LIABILITIES) EXCLUDING PENSION SCHEME LIABILITY</b>			<u>428,055</u>	<u>(215,378)</u>
Defined benefit pension scheme liability	26		(6,345)	(5,122)
<b>NET ASSETS/(LIABILITIES) INCLUDING PENSION SCHEME LIABILITY</b>			<u>421,710</u>	<u>(220,500)</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	21		130,000	130,000
Share premium account	22		211,446	211,446
Profit and loss account	22		80,264	(561,946)
<b>SHAREHOLDERS' FUNDS/(DEFICIT)</b>	23		<u>421,710</u>	<u>(220,500)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 June 2015

M Seiler  
Director



The notes on pages 10 to 29 form part of these financial statements

## NESTLÉ UK LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group. The company's ultimate parent, Nestlé S A, incorporated in Switzerland, prepares consolidated financial statements that are publically available - see note 30

##### 1.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report and the Directors' report on pages 1 to 4

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The company has net current liabilities of £569,062,000 including amounts owed to parent undertakings of £754,000,000. Nestlé Holdings (U K) PLC, the parent company of Nestlé UK Ltd, has provided the company with an undertaking that for at least twelve months from the date of approval of these financial statements, it will continue to provide financial and other support to enable the company to continue in operational existence for the foreseeable future and that repayment of the above loans will not be sought if it would impede the company's ability to meet its obligations to third parties and operate as a going concern

The directors, having assessed the responses of the directors of the company's parent Nestlé Holdings (U K) PLC to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made to the directors of Nestlé Holdings (U K) PLC, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

##### 1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the Nestlé S A Group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

##### 1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year. It is measured at the list price applicable to the given distribution channel after deduction of returns, sales taxes, pricing allowances, other trade discounts and price promotions to customers

The risks and rewards are transferred on delivery

## NESTLÉ UK LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. ACCOUNTING POLICIES (continued)

##### 1.5 Intangible fixed assets and amortisation

Goodwill	-
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Purchased goodwill arising in respect of acquisitions before 1 January 1999 was written off to reserves in the year of acquisition. A movement between distributable profits and goodwill representing an amortisation charge over 40 years is reconciled in note 22. When a subsequent disposal occurs, any related goodwill previously written off to reserves is written back through the Profit and loss account as part of the profit or loss on disposal. Other purchased goodwill is eliminated by amortisation through the Profit and loss account over its useful economic life of 40 years.

##### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% - 4%
L/Term Leasehold property	-	4%
Plant & machinery	-	6.66% - 33.33%
System development costs	-	20%

Depreciation is calculated on a straight line basis for each asset class.

Provision for the impairment of fixed assets is made where appropriate.

##### 1.7 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

##### 1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### 1.9 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### 1.10 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**NESTLÉ UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**1. ACCOUNTING POLICIES (continued)**

**1.11 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction or at the average rate for the period

Exchange gains and losses are recognised in the Profit and loss account

**1.12 Pensions**

The company participates in the Nestle UK Pension Fund which is a defined benefit scheme and provides benefits based on career averaged pensionable pay. The assets of the scheme are held separately from those of the company

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Profit and loss account represents the contributions paid to the scheme in respect of the accounting period

The company also operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

For additional information regarding the Nestle UK Pension Fund please refer to note 26

The company also operates an unfunded pension scheme and a closed post retirement medical scheme providing benefits based on career averaged pensionable pay

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The scheme surplus, to the extent that it is recoverable, or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

Further disclosure relating to the unfunded pension and post retirement medical schemes is given in note 26

**1.13 Equity compensation plans**

The company has equity-settled share-based payments transactions. The share-based transactions are settled with shares or with reference to shares of Nestle S A and not Nestlé UK Ltd

Equity-settled share-based transactions are recognised in the Profit and loss account over the vesting period. They are fair valued at grant date and measured using generally accepted pricing models. The cost of equity-settled share-based payment transactions is adjusted annually by the expectations of vesting, for the forfeitures of the participants' rights that no longer satisfy the plan conditions as well as for early vesting

Amounts recharged by the parent are recognised as a liability with a corresponding debit to the Profit and loss account

**1.14 Raw Materials Future Contracts**

The futures market is used in order to stabilise the long term price of major raw materials. Profits and losses related to futures contracts are taken in the period in which the related raw material is physically used

# NESTLÉ UK LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 1 ACCOUNTING POLICIES (continued)

#### 1.15 Related Party Transactions

As the company is a wholly owned subsidiary of Nestle Holdings (U K ) PLC, which is itself a wholly owned subsidiary of Nestle S A , the company has taken advantage of the exemption contained in FRS 8 Related Party Disclosures and has therefore not disclosed transactions or balances with entities which form part of the Nestle S A group (or investees of the Nestlé S A group qualifying as related parties)

#### 1.16 Dividends

Dividends are only recognised as a liability at the balance sheet date to the extent that they are declared prior to the year end Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

#### 1.17 Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

### 2. TURNOVER

A geographical analysis of turnover is as follows

	2014 £000	2013 Restated £000
United Kingdom	1,348,920	1,364,865
Rest of European Union	286,790	307,794
Rest of world	90,570	76,716
	<u>1,726,280</u>	<u>1,749,375</u>

All turnover and profits before tax are derived from the sale of food, beverage and nutrition products

The 2013 analysis has been restated due to a re-assessment of sales between the UK and the European Union

**NESTLÉ UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

	2014 £000	2013 £000
Amortisation - intangible fixed assets	1,013	700
Depreciation of tangible fixed assets		
- owned and held under finance leases	46,239	40,614
(Reversal of impairment)/impairment of fixed assets	(241)	3,146
Operating lease rentals		
- plant and machinery	1,957	2,119
Other hire charges including operating leases	735	657
(Profit)/loss on disposal of fixed assets	(29,558)	950
Directors' salaries	3,098	2,820
	<u>352,123</u>	<u>320,803</u>

**4. AUDITOR'S REMUNERATION**

	2014 £000	2013 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	308	416
Fees payable to the company's auditor and its associates in respect of All other non-audit services not included above	253	-
	<u>561</u>	<u>416</u>

**5. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2014 £000	2013 £000
Wages and salaries	213,954	204,418
Social security costs	22,324	21,592
Other pension costs (Note 26)	113,302	92,313
Share-based payments	2,543	2,480
	<u>352,123</u>	<u>320,803</u>

The average monthly number of employees, including the directors, during the year was as follows

	2014 No.	2013 No.
Production	3,397	3,365
Administration, distribution and sales	1,657	1,699
	<u>5,054</u>	<u>5,064</u>



# NESTLÉ UK LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 6. DIRECTORS' REMUNERATION

Pension contributions payable by the company were £255,191 (2013 - £140,180) The number of directors accruing retirement benefits at 31 December 2014 was 7 (2013 - 7)

	2014 £000	2013 £000
Remuneration	3,098	2,820

The highest paid director received remuneration of £776,170 (2013 - £610,940)

At 31 December 2014 the highest paid director had accrued pension benefits of £213,238 (2013 - £202,087)

During 2014 8 directors received shares granted by Nestlé S A (2013 - 7 directors)

The highest paid director received 5,760 shares awarded by Nestle S A (2013 - 5,440) under a long term incentive scheme

### 7. INTEREST RECEIVABLE

	2014 £000	2013 £000
Interest receivable from group companies	-	773
Interest on group cash pooling arrangement	1,394	1,687
Interest due from associate undertakings	1,304	2,066
Other interest receivable	48	52
	2,746	4,578

### 8. INTEREST PAYABLE

	2014 £000	2013 £000
On bank loans and overdrafts	1	2
Pension guarantee fee	6,134	4,000
On finance leases and hire purchase contracts	989	1,154
Interest on group cash pooling arrangement	229	207
On loans from group undertakings	102,178	104,558
	109,531	109,921

NESTLÉ UK LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

9. EXCEPTIONAL COSTS

The exceptional costs detailed below are included in the appropriate expense headings in the Profit and loss account before operating profit on page 7

	2014 £000	2014 £000	2014 £000
	Cost of Sales	Administrative Expenses	Total
Factory/divisional re-organisation	4,651	384	5,035
	2013 £000	2013 £000	2013 £000
	Cost of Sales	Administrative Expenses	Total
Factory/divisional re-organisation	9	2,286	2,295

All exceptional costs charged to Profit and loss account in 2014 relate to business restructuring and re-organisation projects during the year

10. TAXATION

	2014 £000	2013 £000
<b>Analysis of tax credit in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax credit on profit for the year	(4,342)	(3,330)
Adjustments in respect of prior periods	312	(689)
<b>Total current tax</b>	<b>(4,030)</b>	<b>(4,019)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	6,475	14,198
Effect of decreased tax rate	(372)	61
Relating to prior years	424	(7,181)
Write-off of transfer from affiliated company	1,030	-
<b>Total deferred tax</b> (see note 19)	<b>7,557</b>	<b>7,078</b>
<b>Tax on profit on ordinary activities</b>	<b>3,527</b>	<b>3,059</b>

**NESTLÉ UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**10 TAXATION (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below

	<b>2014 £000</b>	<b>2013 £000</b>
Profit on ordinary activities before tax	<b>124,878</b>	<b>25,235</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	<b>26,849</b>	<b>5,867</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>1,313</b>	<b>5,001</b>
Capital allowances for year in excess of depreciation	<b>(5,330)</b>	<b>(7,264)</b>
Adjustments to tax charge in respect of prior periods	<b>312</b>	<b>(689)</b>
Non-taxable income	<b>(26,029)</b>	<b>-</b>
Excess of partnership profits over distributions received	<b>1,593</b>	<b>1,006</b>
Movement in charges deductible on a paid basis	<b>(934)</b>	<b>(7,254)</b>
Other differences leading to a decrease in the tax charge	<b>(1,804)</b>	<b>(686)</b>
<b>Current tax credit for the year (see note above)</b>	<b>(4,030)</b>	<b>(4,019)</b>

**11. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £000</b>
<b>Cost</b>	
At 1 January 2014 and 31 December 2014	<b>40,557</b>
<b>Amortisation</b>	
At 1 January 2014	<b>1,177</b>
Charge for the year	<b>1,013</b>
At 31 December 2014	<b>2,190</b>
<b>Net book value</b>	
At 31 December 2014	<b>38,367</b>
At 31 December 2013	<b>39,380</b>

NESTLÉ UK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

12. TANGIBLE FIXED ASSETS

	Freehold Property £000	L/Term Leasehold Property £000	Plant & Machinery £000	Systems Development Costs £000	Payments On Account £000	Total £000
<b>Cost</b>						
At 1 January 2014	281,105	15,184	957,091	55,451	88	1,308,919
Additions	27,169	-	94,189	-	904	122,262
Disposals	(42,576)	-	(124,749)	-	-	(167,325)
Asset reclassification	570	-	(482)	-	(88)	-
At 31 December 2014	266,268	15,184	926,049	55,451	904	1,263,856
<b>Depreciation</b>						
At 1 January 2014	105,587	7,592	575,771	55,451	-	744,401
Charge for the year	6,156	1,519	38,564	-	-	46,239
On disposals	(23,832)	-	(122,339)	-	-	(146,171)
Transfer between classes	(2,774)	-	2,774	-	-	-
Impairment release	-	-	(241)	-	-	(241)
At 31 December 2014	85,137	9,111	494,529	55,451	-	644,228
<b>Net book value</b>						
At 31 December 2014	181,131	6,073	431,520	-	904	619,628
At 31 December 2013	175,518	7,592	381,320	-	88	564,518

Included in the net book value of land and buildings is £6,073,000 (2013 - £7,592,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £1,519,000 (2013 - £1,518,000).

13. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 January 2014	1,277,793
Additions	101,400
At 31 December 2014	1,379,193
<b>Net book value</b>	
At 31 December 2014	1,379,193
At 31 December 2013	1,277,793

# **NESTLÉ UK LTD.**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

### **13. FIXED ASSET INVESTMENTS (continued)**

#### **Subsidiary undertakings**

The following were subsidiary undertakings of the company

<b>Name</b>	<b>Principal Activities</b>	<b>Holding</b>
Nestlé Purina Petcare UK Limited	Manufacture and sale of petfood	100 %
Nestlé Waters UK Limited	Manufacture and sale of bottled water	100 %
Nestlé (Ireland) Limited	Sale of food and drink products	100 %
PNutri UK Limited	Sale of nutrition products	100 %
Raw Products Limited	Dormant	100 %
Nestlé UK Pension Reservoir Trust Limited	Non-trading company	100 %
Nestlé UK Pension Trust Limited	Non-trading company	100 %
Nespresso UK Ltd	Sale of coffee capsules and related products	100 %
Vitaflo (International) Limited	Sale of clinical nutritional products	100 %

Nestlé (Ireland) Limited is incorporated in the Republic of Ireland. All other subsidiaries are incorporated in the United Kingdom.

The company acquired 100% of the share capital of Vitaflo (International) Limited on 10 April 2014 for a consideration of £51,400,000.

The company also acquired 100% of the share capital of Nespresso UK Ltd on 17 December 2014 for a consideration of £50,000,000.

### **14. STOCKS**

	<b>2014 £000</b>	<b>2013 £000</b>
Raw materials	15,502	17,189
Work in progress	30,660	24,041
Finished goods and goods for resale	76,412	88,414
	<b>122,574</b>	<b>129,644</b>

### **15. DEBTORS**

	<b>2014 £000</b>	<b>2013 £000</b>
Trade debtors	222,430	213,354
Amounts owed by group undertakings	187,720	220,298
Amounts owed by undertakings in which the company has a participating interest	15,080	71,552
Corporation tax receivable	2,871	5,115
Other debtors	60,643	102,547
Prepayments and accrued income	12,816	13,651
	<b>501,560</b>	<b>626,517</b>

Amounts owed by group undertakings include £140,342,000 (2013 - £149,690,000) representing cash transferred to subsidiary undertakings as part of the group cash pooling arrangement which can be recovered on request.

**NESTLÉ UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**16. CREDITORS.**

**Amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	425	1,601
Net obligations under finance leases and hire purchase contracts	2,138	1,930
Trade creditors	213,281	225,002
Amounts owed to group undertakings	902,589	774,555
Amounts owed to associates	14,533	17,783
Other creditors	11,996	2,823
Accruals and deferred income	125,639	128,477
	<u>1,270,601</u>	<u>1,152,171</u>

Amounts owed to group undertakings at 31 December 2014 included the following unsecured loans (2013 - £650,000,000)

Settlement date	Interest rate	£000
22 April 2015	3 months USD Libor rate plus 80 basis points	57,850
30 June 2015	6 month Libor rate plus 350 basis points	129,000
30 September 2015	6 month Libor rate plus 389 basis points	200,000
17 December 2015	6 month Libor rate plus 347 basis points	425,000

Amounts owed to group undertakings include £22,781,000 (2013 - £67,923,000) representing cash transferred from subsidiary undertakings as part of the group cash pooling arrangement which can be repaid on request

Included in other creditors is an accrual of £800,000 (2013 - £1,000,000) in respect of the long term sickness and disability scheme run by the group

**17. CREDITORS.**

**Amounts falling due after more than one year**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	7,566	9,704
Amounts owed to group undertakings	1,005,837	1,679,437
	<u>1,013,403</u>	<u>1,689,141</u>

# NESTLÉ UK LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 17 CREDITORS:

#### Amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2014 £000	2013 £000
Between one and five years	<u>7,566</u>	<u>9,704</u>

Amounts owed to group undertakings at 31 December 2014 included the following unsecured loans  
(2013 - £1,679,437,000)

Settlement Date	Interest rate	£000
22 July 2016	3 month Libor rate plus 315 basis points	150,000
30 November 2022	6 month Libor rate plus 350 basis points	804,437
Mid-April 2017	3 month Libor rate plus 235 basis points	<u>51,400</u>

### 18. EQUITY COMPENSATION PLANS

Certain employees are eligible to receive long-term incentives in the form of equity compensation plans. Each unit granted gives the right to one Nestlé S A share.

Equity compensation plans are settled either by remittance of Nestlé S A shares (accounted for as equity-settled share-based payment transactions) or by the payment of an equivalent amount in cash (accounted for as cash-settled share-based payment transactions). As the shares are in Nestlé S A and not Nestlé UK Limited, all charges for equity compensation plans are accrued in creditors due within one year and the share value is subsequently invoiced to Nestlé UK Limited by Nestlé S A.

	2014 £000	2013 £000
Equity-settled share-based payment costs	<u>2,543</u>	<u>2,480</u>
Cash-settled share-based payment costs	<u>-</u>	<u>-</u>
Total share-based payment costs	<u>2,543</u>	<u>2,480</u>

**NESTLÉ UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**18. EQUITY COMPENSATION PLANS (continued)**

**Restricted Stock Unit Plan (RSUP)**

Members of Senior Management are awarded Restricted Stock Units (RSU) that entitle participants to receive freely disposable Nestlé S A shares (accounted for as equity-settled share-based payment transactions) or an equivalent amount in cash (accounted for as cash-settled share-based payment transactions) at the end of a three-year restriction period subject to service conditions. There were no RSU granted in 2014.

Number of RSU in units	2014	2013
	No.	No.
Outstanding at 1 January	190,785	172,395
Granted	-	62,245
Settled and transfers in from, or (out to) other Group companies	(78,370)	(43,360)
Forfeited	(3,120)	(495)
Outstanding at 31 December	<u>109,295</u>	<u>190,785</u>

The fair value of equity-settled RSU is determined on the basis of the market price of Nestlé S A shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. There were no equity-settled RSU granted in 2014 (the weighted average fair value of the equity-settled RSU granted in 2013 was CHF 58.58).

For cash-settled outstanding RSU, the liability is re-measured at each reporting date based on subsequent changes in the market price of Nestlé S A shares. The average fair value of the cash-settled RSU outstanding at 31 December 2014 is CHF 70.74 (2013 - CHF 63.36).

The weighted average share price of RSU settled during the period was CHF 66.45 (2013 - CHF 65.20).

**Performance Share Unit Plan (PSUP)**

As from 2014, members of Senior Management are awarded Performance Share Units (PSU) that entitle participants to receive freely disposable Nestlé S A shares (accounted for as equity-settled share-based payment transactions) or an equivalent amount in cash (accounted for as cash-settled share-based payment transactions) at the end of a three year restriction period.

Upon vesting, the number of shares to be delivered will range from 0% to 200% of the initial grant and be determined by the degree by which the performance measures of the PSUP have been met. These measures are the relative Total Shareholder Return of the Nestlé S A share in relation to the STOXX Global 1800 Food & Beverage Net Return Index, and the growth of the underlying earnings per share in constant currencies. Each of the two measures has equal weighting in determining the vesting level of the initial PSU award.

Number of PSU in units	2014	2013
	No.	No.
Outstanding at 1 January	-	-
Granted	63,990	-
Settled and transfers in from, or (out to) other Group companies	(7,100)	-
Forfeited	(875)	-
Outstanding at 31 December	<u>56,015</u>	<u>-</u>



# NESTLÉ UK LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 18 EQUITY COMPENSATION PLANS (continued)

The fair value of the equity-settled PSU is determined using a valuation model which reflects the probability of overachievement or underachievement on the Total Shareholder Return measure, which is a market condition, and based on five-year historical data. The other inputs incorporated into the valuation model comprise the market price of Nestlé S A shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. The weighted average fair value of the equity-settled PSU granted in 2014 is CHF 63.70.

For cash-settled outstanding PSU, the liability is re-measured at each reporting date based on subsequent changes in the market price of Nestlé S A shares. The average fair value of the cash-settled PSU outstanding at 31 December 2014 is CHF 74.28.

### 19. DEFERRED TAXATION

The movements in deferred tax during the year were as follows

	2014 £000	2013 £000
At beginning of year	665	(6,371)
Charge for year (P&L)	7,557	7,078
Other movements	(789)	(42)
At end of year	<u>7,433</u>	<u>665</u>
Other movements comprise the following	2014 £000	2013 £000
Transfer of deferred tax asset from affiliated company	(1,030)	-
Transfer to deferred tax asset relating to pension liability	305	72
Movement to STRGL	(64)	(114)
Total of other movements	<u>(789)</u>	<u>(42)</u>

The provision for deferred taxation is made up as follows

	2014 £000	2013 £000
Accelerated capital allowances	15,828	10,807
Unremitted earnings of joint venture	(2,599)	(938)
Movement in general provisions	(4,198)	(6,653)
Movement in charges deductible on a paid basis	(1,599)	(2,554)
Other timing differences	1	3
	<u>7,433</u>	<u>665</u>

In addition to the deferred tax liability above a £1,586,000 (2013 - £1,281,000) asset has been recognised relating to the unfunded pension liability. For additional information refer to note 26 (b).

The main rate of UK corporation tax reduced from 24% to 23% with effect from 1 April 2013. Legislation to further reduce the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and a further reduction to 20% from 1 April 2015 was included in the Finance Act 2013. These tax changes became substantively enacted on 2 July 2013 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2013 and December 2014 has been included in the figures above.

NESTLÉ UK LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

20. PROVISIONS

	Post Retirement Benefits £000	Factory/Division Reorganisation £000	Business Restructuring £000	Total £000
At 1 January 2014	3,280	12,627	3,651	19,558
Additions	135	5,857	825	6,817
Amounts used	(263)	(2,867)	(2,269)	(5,399)
Amounts reversed	-	(1,206)	(441)	(1,647)
Actuarial gain	(94)	-	-	(94)
At 31 December 2014	<u>3,058</u>	<u>14,411</u>	<u>1,766</u>	<u>19,235</u>

Post Retirement Benefits

The post retirement benefits provision relates to post retirement medical benefits of a closed scheme (see note 26)

Factory/Division Reorganisation

At 31 December 2013 there was a provision of £320,000 remaining in respect of the closure of the Castleford factory. During the year £114,000 was utilised and £206,000 credited to the Profit and loss account, resulting in a provision at 31 December 2014 of £nil.

At 31 December 2013 there was a provision of £12,181,000 remaining in respect of the restructuring of the Hayes site. During 2014 £2,612,000 was utilised and an additional £4,842,000 was charged to the Profit and Loss account, resulting provision of £14,411,000 remaining at 31 December 2014. The expectation is that the bulk of the remaining provision will be utilised during 2015.

Business Restructuring

Provisions in respect of business restructuring totalled £3,651,000 at 31 December 2013. During 2014 an additional £384,000 was charged to the Profit and Loss account. £2,269,000 was utilised during the year which resulted in provisions outstanding at 31 December 2014 of 1,766,000. It is expected that these will be utilised in full during 2015.

21. SHARE CAPITAL

	2014 £000	2013 £000
Allotted, called up and fully paid		
260,000,000 Ordinary shares of £0.50 each	<u>130,000</u>	<u>130,000</u>

# NESTLÉ UK LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 22. RESERVES

	Share Premium Account £000	Profit and Loss Account £000
At 1 January 2014	211,446	(561,946)
Profit for the financial year	-	121,351
Pension reserve movement	-	(141)
Loan waived by parent undertaking	-	521,000
	<hr/>	<hr/>
At 31 December 2014	<u>211,446</u>	<u>80,264</u>

The immediate parent of the company, Nestle Holdings (U K ) PLC, waived a loan of £521,000,000 on 12 December 2014

The Profit and loss account reserve includes amounts relating to goodwill written off The total Profit and loss account is analysed as follows

	Distributable Profit/(loss) £000	Goodwill (Unrealised) £000	Total £000
At 1 January 2014	(64,113)	(497,833)	(561,946)
Total recognised profit for year	121,210	-	121,210
Loan waived by parent undertaking	521,000	-	521,000
Goodwill amortised	<u>(27,657)</u>	<u>27,657</u>	<u>-</u>
At 31 December 2014	<u>550,440</u>	<u>(470,176)</u>	<u>80,264</u>

The cumulative amount of goodwill resulting from acquisitions prior to 1 January 1999 which has been written off against distributable reserves at 31 December 2014 is £636,114,000 (2013 £608,457,000)

### 23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £000	2013 £000
Opening shareholders' deficit	(220,500)	(241,730)
Profit for the financial year	121,351	22,176
Other recognised gains and losses during the year	(141)	(946)
Loan waived by parent undertaking	<u>521,000</u>	<u>-</u>
Closing shareholders' funds/(deficit)	<u>421,710</u>	<u>(220,500)</u>

### 24. CONTINGENT LIABILITIES

At 31 December 2014 the company had provided indemnities given in the normal course of business totalling £2,480,000 (2013 - £3,015,000)

The company participates in a joint venture (see note 28) Under the terms of the partnership agreement the company acts a guarantor for its share of the partnership pension scheme deficit At 31 December 2014 the deficit amounted to £25,083,000 (2013 - £20,589,000)

**NESTLÉ UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**25. CAPITAL COMMITMENTS**

At 31 December 2014 the company had capital commitments as follows

	<b>2014 £000</b>	<b>2013 £000</b>
Contracted for but not provided in these financial statements	<b>5,420</b>	<b>27,740</b>
Other Financial Commitments - Forward contracts		
	<b>2014 £000</b>	<b>2013 £000</b>
Raw materials	<b>68,916</b>	<b>47,758</b>
Foreign currency	<b>1,510</b>	<b>4,600</b>
Total	<b>70,426</b>	<b>52,358</b>

# NESTLÉ UK LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 26. PENSION COMMITMENTS

#### (a) Nestlé UK Pension Fund

Nestlé UK Ltd participates in the Nestlé UK Pension Fund, which includes a defined benefit section and a defined contribution section. Nestlé UK Ltd made contributions totalling £113,302,000 to the fund during 2014 (2013 - £92,313,000).

Nestlé UK Ltd is unable to identify its share of the underlying assets and liabilities of the Fund, as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the Fund. Contributions to the scheme have therefore been accounted for as if it were a defined contribution scheme. An updated valuation of the whole fund was prepared at 31 December 2014 by an independent qualified actuary for the purposes of FRS 17. At that date the liabilities exceeded the assets by £637,475,000 (2013 - £574,701,000).

#### (b) Other personnel obligations

The company has the following pension liability in respect of the unfunded pension fund

	2014 £000	2013 £000
Pension liability	7,931	6,403
Deferred tax (Note 19)	(1,586)	(1,281)
	<u>6,345</u>	<u>5,122</u>

The following table sets out the key FRS 17 assumptions used for the scheme

Assumptions and expected returns	2014	2013
Price inflation	3.1%pa	3.3%pa
Discount rate	3.9%pa	4.3%pa
Pension increases	3.0%pa	3.1%pa
Medical expense inflation	5.6%pa	5.8%pa
Salary growth	3.1%pa	3.3%pa
Life expectancy for a male aged 65	21.8 years	21.7 years

The amounts recognised in the Profit and loss account under FRS 17 are as follows

	2014 £000	2013 £000
Current service cost	542	310
Past service cost	631	330
Interest cost	271	225
Total expense in Profit and loss account	<u>1,444</u>	<u>865</u>

The current service cost, past service cost and interest cost components are reported in operating profit

#### (c) Post retirement benefits

The company provides certain post-retirement benefits, mainly healthcare, to 131 (2013 - 136) pensioned former employees. The plan is unfunded and the liability in respect of these benefits is assessed by a qualified independent actuary on a bi-annual basis and included in provisions (note 20).

The gross liability reported is £3,058,000 and is disclosed within "Provisions for liabilities and charges" in the balance sheet.

**NESTLÉ UK LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**26. PENSION COMMITMENTS (continued)**

**(c) Post retirement benefits (continued)**

The following table sets out the key FRS17 assumptions used for the scheme

Assumptions and expected returns	2014	2013
Price inflation	3.1% pa	3.3% pa
Discount rate	3.9% pa	4.3% pa
Pension increase	3.0% pa	3.1% pa
Medical expense inflation	5.6% pa	5.8% pa
Salary growth	3.1% pa	3.3% pa
Life expectancy for a male aged 65	21.8 years	21.7 years

The amounts recognised in the Profit and loss account under FRS 17 are as follows

	2014 £000	2013 £000
Interest cost	135	122
Total expense in profit and loss account	135	122

Interest cost is reported in operating profit

Assumed medical expense inflation has an effect on the amounts reported for the Post Retirement Medical Scheme. A one percentage point change in assumed medical expense inflation would have the following effects on the company's Post Retirement Scheme

	One Percentage Point Increase 2014 £000	2013 £000	One Percentage Point Decrease 2014 £000	2013 £000
Increase/(Decrease)				
Effect on year end defined benefit obligation	265	295	(234)	(258)
Effect on aggregate of current service and interest cost	13	13	(11)	(11)

**(d) Long term sickness and disability scheme**

The company also has a Long Term Sickness and Disability Scheme which is outside the scope of FRS 17. The reserve in respect of any liabilities is assessed by a qualified, independent actuary, is accounted for with reference to FRS 12 and is included in creditors' amounts falling due within one year (note 16).

The following table sets out the key assumptions used for the scheme

Assumptions and expected returns	2014	2013
Price inflation	3.1% pa	3.3% pa
Discount rate	3.9% pa	4.3% pa

# NESTLÉ UK LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 27 OPERATING LEASE COMMITMENTS

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows

	<b>Land and Buildings</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Operating lease which expire:</b>		
After more than 5 years	<b>2,618</b>	<b>2,615</b>

### 28 PARTICIPATING INTEREST IN JOINT VENTURE

The company has a 50% participating interest in Cereal Partners U K. The other 50% is owned by General Mills Canada Holding Three Corporation. A share of any taxation charge or credit relating to the results of the investment is borne directly by the company. The value of the investment held in the Balance sheet of the company is £nil.

### 29. RELATED PARTY TRANSACTIONS

The company pays for certain costs on behalf of the Nestlé UK Pension Fund ("NUKPF"), Cereal Partners Pension Fund and Nestle Europe Pension Fund. These pension funds reimburse the company with the cost of these expenses. For the year ended 31 December 2014 the total expenses reimbursed amounted to £13,066,757 (2013 - £7,416,015). Of this figure £1,560,137 (2013 - £1,478,602) relates to salaries and other benefits of the staff and £11,506,620 (2013 - £5,937,413) to other administrative costs.

### 30. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Nestle Holdings (U K) PLC, which is registered in England and Wales, is the company's immediate parent company and the holding company for other Nestlé S A group companies based in the UK.

The ultimate holding company is Nestlé S A, CH-1800 Vevey, Switzerland, from whom copies of their group accounts can be obtained.

**CEREAL PARTNERS UK**

**STRATEGIC REPORT, MEMBERS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY  
No. 51491



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## **CEREAL PARTNERS UK**

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## **CEREAL PARTNERS UK**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **BUSINESS REVIEW**

The performance achieved during the year is set out in the profit and loss account on page 6.

Turnover decreased year on year by 4.1%

The results of the partnership show a pre-tax profit of £21,091,000 (2013 - £21,162,000) for the year and turnover of £284,497,000 (2013 - £296,738,000).

The partnership has net assets attributable to members of £29,774,000 (2013 - £48,581,000).

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business of the partnership and the execution of its strategy are subject to a number of risks and uncertainties, including a difficult economic environment, a strong competitive environment, currency fluctuations, further trade consolidation, product innovation, employee retention and volatility in input costs.

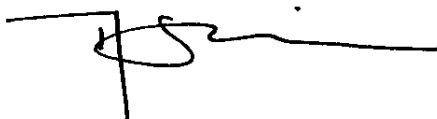
The members of the partnership are aware of these risks and strategic decisions are made to manage these risks appropriately. These will include monitoring of performance of key brands, review of costs and the credit exposure to customers. The decision-making process and the assessment of business performance is supported by the experience of the management team, regular sales volume and value data and monthly management accounts, split by business channel.

The partnership has an exposure to the risk of currency fluctuations. This risk is managed by the regular monitoring of fluctuations in key currencies and entering into forward currency contracts to hedge future requirements as appropriate

The group internal audit department monitors the operation risks of all parts of the business on a rotational/sample basis and will recommend improvements to business processes and controls to assist in the mitigation of identified business risks.

The partnership is in a net currently liability position and is reliant on its members, Nestlé UK Limited and General Mills Canada Holding Three Corporation for continued support -refer to note 1.2 for further details.

This report was approved by the board on 23 June 2015 and signed on its behalf.



Director of Nestlé UK Limited



Officer of General Mills Canada Holding Three Corporation

## **CEREAL PARTNERS UK**

### **MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

The members present their report and the financial statements for the year ended 31 December 2014.

#### **STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND THE FINANCIAL STATEMENTS**

The members are responsible for preparing the Strategic report, the Members' report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the members to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the members 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 partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

#### **PRINCIPAL ACTIVITIES**

The principal activity of Cereal Partners UK (the partnership) is the manufacture and sale of breakfast cereals.

#### **RESULTS AND DISTRIBUTIONS**

The profit for the year, after taxation, amounted to £21,091,000 (2013 - £21,162,000).

The members recommend a distribution of £8,347,000 to be paid in 2015. (2013 - £10,067,000).

#### **MEMBERS**

The members who served during the year were:

Nestlé UK Limited  
General Mills Canada Holding Three Corporation

#### **ENVIRONMENTAL MATTERS**

The partnership will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The partnership has complied with all applicable legislation and regulations.

#### **FUTURE DEVELOPMENTS**

The external environment is expected to remain competitive and challenging in 2015.

## **CEREAL PARTNERS UK**

### **MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **EMPLOYEE INVOLVEMENT**

The partnership fully supports the rights of individuals to seek, obtain and hold employment without discrimination on the grounds of race, colour, religion, origin, sex, sexual orientation, disability or marital status. The partnership seeks to provide a working environment free of any harassment or intimidation. Policies relating to training, career development and succession are applied equally to disabled and able bodied employees. Employees who become disabled are retained, where possible, through redeployment and retraining, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Occupational Health and Safety continued to receive the same high profile in 2014 with a commitment across all areas of the business to sustain the continual improvement in performance. Proactive preventative Occupational Health and Safety systems auditing continues and demonstrates increasing performance and the development of plans to continue with continual increase in performance.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

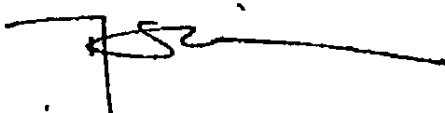
Each of the members at the time when this Members' report is approved has confirmed :

- that so far as that members are aware, there is no relevant audit information of which the partnership's auditors are unaware, and
- that members have taken all the steps that ought to have been taken as a members in order to be aware of any relevant audit information and to establish that the partnership's auditors are aware of that information.

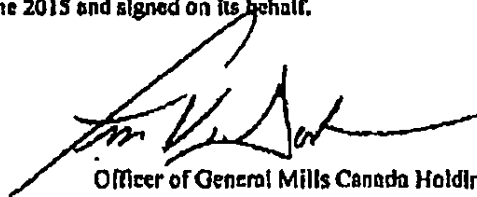
#### **AUDITORS**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the members on 23 June 2015 and signed on its behalf.



Director of Nesle UK Limited



Officer of General Mills Canada Holding Three Corporation

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEREAL PARTNERS UK**

We have audited the financial statements of Cereal Partners UK for the year ended 31 December 2014, set out on pages 5 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and the partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITOR**

As explained more fully in the Members' Responsibilities Statement set out on page 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2014 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic report and the Members' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion:

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

*B. J. Stapleton*

Benjamin Stapleton (Senior statutory auditor)  
for and on behalf of  
KPMG LLP, Statutory Auditor  
Chartered Accountants  
Watford Office  
58 Clarendon Road  
Watford, WD17 1DE  
United Kingdom

23 June 2015

# CEREAL PARTNERS UK

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 Restated £000
<b>TURNOVER</b>	<b>1</b>	<b>284,497</b>	<b>296,738</b>
Cost of sales		<u>(107,325)</u>	<u>(123,678)</u>
<b>GROSS PROFIT</b>		<b>177,172</b>	<b>173,060</b>
Distribution costs		(91,458)	(87,387)
Administrative expenses	7	<u>(63,994)</u>	<u>(61,819)</u>
<b>OPERATING PROFIT</b>	<b>2</b>	<b>21,720</b>	<b>23,854</b>
Interest receivable and similar income	6	11,661	9,983
Interest payable and similar charges	5	<u>(12,290)</u>	<u>(12,675)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>21,091</b>	<b>21,162</b>
Tax on profit on ordinary activities		-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>21,091</b></u>	<u><b>21,162</b></u>

All amounts relate to continuing operations.

The notes on pages 9 to 21 form part of these financial statements.

The 2013 comparatives have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets.

**CEREAL PARTNERS UK**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £000	2013 £000
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>21,091</b>	<b>21,162</b>
Actuarial gain/(loss) related to pension scheme	21	<u>(19,777)</u>	<u>(4,461)</u>
<b>TOTAL RECOGNISED GAINS AND (LOSSES) RELATING TO THE YEAR</b>		<u><b>1,314</b></u>	<u><b>16,701</b></u>

The 2013 comparatives have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets.

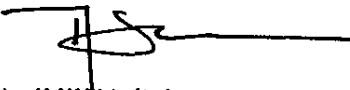
The notes on pages 9 to 21 form part of these financial statements


**CEREAL PARTNERS UK**

**BALANCE SHEET  
AS AT 31 DECEMBER 2014**

	Note	2014 £000	2013 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	102,278	105,154
<b>CURRENT ASSETS</b>			
Stocks	9	15,218	16,308
Debtors	10	5,358	5,936
Cash at bank		1	1,246
		<u>20,577</u>	<u>23,490</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(42,915)</u>	<u>(38,551)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(22,338)</u>	<u>(15,061)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>79,940</u>	<u>90,093</u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>-</u>	<u>(334)</u>
<b>NET ASSETS EXCLUDING PENSION SCHEME LIABILITY</b>		<u>79,940</u>	<u>89,759</u>
Defined benefit pension fund liability	21	<u>(50,166)</u>	<u>(41,178)</u>
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITY</b>		<u>29,774</u>	<u>48,581</u>
<b>Represented by:</b>			
Members' capital classified as liability		109,933	119,987
Reserves	13	<u>(80,159)</u>	<u>(71,406)</u>
<b>TOTAL MEMBERS' INTERESTS</b>		<u>29,774</u>	<u>48,581</u>

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 23 June 2015

  
Nestlé UK Limited  
Member

  
General Mills Canada Holding Three Corporation  
Member

The notes on pages 9 to 21 form part of these financial statements



**CEREAL PARTNERS UK**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>£000</b>	<b>Restated £000</b>
Net cash flow from operating activities	16	17,723	24,456
Returns on investments and servicing of finance	17	(877)	(2,603)
Capital expenditure and financial investment	17	(8,455)	(6,794)
Distributions		(10,067)	(10,497)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(1,676)</b>	<b>4,562</b>

The 2013 comparatives have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
(Decrease)/Increase in cash in the year	(1,676)	4,562
<b>MOVEMENT IN NET FUNDS/(DEBT) IN THE YEAR</b>	<b>(1,676)</b>	<b>4,562</b>
Net funds/(debt) at 1 January 2014	1,246	(3,316)
<b>NET (DEBT)/FUNDS AT 31 DECEMBER 2014</b>	<b>(430)</b>	<b>1,246</b>

The notes on pages 9 to 21 form part of these financial statements

## **CEREAL PARTNERS UK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **1. ACCOUNTING POLICIES**

The following principal accounting policies have been applied consistently, in dealing with items which are considered material in relation to the financial statements.

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

As a qualifying partnership, the financial statements have been prepared under the Companies Act 2006.

##### **1.2 Going concern**

The partnership's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Members' Report on pages 1 to 3

The partnership has net assets attributable to members of £29,774,000 including £109,933,000 owed to the members in the form of loans, other debts and other capital and reserves. The members have provided the partnership with an undertaking that for at least twelve months from the date of approval of these financial statements they will continue to provide financial and other support to enable the partnership to continue in operational existence for the foreseeable future and that repayment of the above amounts will not be sought if it would impede the partnership's ability to meet its obligations to third parties and operate as a going concern

##### **1.3 Turnover**

Turnover comprises revenue recognised by the partnership in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts and is recognised on despatch.

##### **1.4 Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

##### **1.5 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	25 to 35 years
Plant and machinery	-	5 to 20 years
Computer equipment	-	3 to 10 years

##### **1.6 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the partnership. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

## **CEREAL PARTNERS UK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.7 Operating leases**

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### **1.8 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

##### **1.9 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account

During its normal course of business the partnership enters into a number of forward exchange contracts. These transactions are initially recorded at the rate stated in the relevant foreign exchange contract. At the balance sheet date any gains or losses arising on retranslation are recognised in the profit and loss account. The corresponding debtor or creditor is included in other debtors or creditors respectively.

##### **1.10 Pensions**

The partnership operates a closed defined benefits pension scheme. The assets of the scheme are held separately from those of the partnership in an independently administered fund

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

Further disclosure relating to the partnership defined benefit scheme is given in note 21.

The partnership also participates in the Nestlé UK Pension Fund which includes a defined benefit and a defined contribution scheme. The assets of the scheme are held separately from those of the partnership.

The partnership is unable to identify its share of the underlying assets and liabilities of the Nestlé scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions paid to the scheme in respect of the accounting period.

For additional information regarding the Nestlé UK Pension Fund please refer to note 21

##### **1.11 Taxation**

No account is taken of either current taxation on profits or deferred taxation arising on timing differences within these accounts. All taxation is dealt with as appropriate in the accounts of the members.

## CEREAL PARTNERS UK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. ACCOUNTING POLICIES (continued)

##### 1.12 Distributions

Distributions unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid distributions that do not meet these criteria are disclosed in the notes to the financial statements.

#### 2. OPERATING PROFIT

The operating profit is stated after charging.

	2014 £000	2013 £000
Depreciation of tangible fixed assets:		
- owned by the company	10,752	11,035
Auditor's remuneration	101	93
Operating lease rentals		
- plant and machinery	498	464
- land and buildings	1,037	1,174
- other lease charges	324	306
Loss on sale of fixed assets	579	376
	<u>10,752</u>	<u>11,035</u>

During the year, no members received any emoluments (2013 - £NIL).

#### 3. STAFF COSTS

Staff costs were as follows

	2014 £000	2013 £000
Wages and salaries	28,182	26,578
Social security costs	2,534	2,477
Other pension costs	3,246	2,969
	<u>33,962</u>	<u>32,024</u>

The average monthly number of employees, including the members, during the year was as follows:

	2014 No.	2013 No.
Production	493	493
Sales and administration	136	150
	<u>629</u>	<u>643</u>

#### 4. MEMBERS' EMOLUMENTS

No directors of the members received any emoluments in respect of their management of the partnership.

# CEREAL PARTNERS UK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 5. INTEREST PAYABLE

	2014	2013
	£000	Restated £000
Pension guarantee levy	300	300
Interest on bank offset facility	30	132
Interest payable to joint venture partners	3,143	4,130
Interest payable on pension scheme liabilities	8,817	8,113
	<u>12,290</u>	<u>12,675</u>

The 2013 comparatives have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets.

### 6. INTEREST RECEIVABLE

	2014	2013
	£000	Restated £000
Expected return on Fund assets	11,579	9,983
Exchange gain on revaluation	74	-
Interest on bank offset facility	8	-
	<u>11,661</u>	<u>9,983</u>

The 2013 comparatives have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets

### 7. ADMINISTRATIVE EXPENSES

	2014	2013
	£000	£000
Administrative expenses - ongoing	60,652	61,179
Exceptional item - business reorganisation	3,342	640
	<u>63,994</u>	<u>61,819</u>

**CEREAL PARTNERS UK**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**8. TANGIBLE FIXED ASSETS**

	Freehold property £000	Plant and machinery £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 January 2014	49,595	183,786	8,523	241,904
Additions	104	8,354	-	8,458
Disposals	(179)	(3,419)	-	(3,598)
At 31 December 2014	<u>49,520</u>	<u>188,721</u>	<u>8,523</u>	<u>246,764</u>
<b>Depreciation</b>				
At 1 January 2014	17,302	111,082	8,366	136,750
Charge for the year	1,352	9,243	157	10,752
On disposals	(159)	(2,857)	-	(3,016)
At 31 December 2014	<u>18,495</u>	<u>117,468</u>	<u>8,523</u>	<u>144,486</u>
<b>Net book value</b>				
At 31 December 2014	<u>31,025</u>	<u>71,253</u>	<u>-</u>	<u>102,278</u>
At 31 December 2013	<u>32,293</u>	<u>72,704</u>	<u>157</u>	<u>105,154</u>

**9. STOCKS**

	2014 £000	2013 £000
Raw materials	4,351	4,763
Finished goods and goods for resale	10,867	11,545
	<u>15,218</u>	<u>16,308</u>

**10. DEBTORS**

	2014 £000	2013 £000
Amounts owed by group undertakings	451	491
Other debtors	3,205	2,997
Prepayments and accrued income	1,702	2,448
	<u>5,358</u>	<u>5,936</u>

# CEREAL PARTNERS UK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 11. CREDITORS:

Amounts falling due within one year

	2014 £000	2013 £000
Bank loans and overdrafts	431	-
Trade creditors	36,523	33,308
Amounts owed to group undertakings	2,624	3,143
Other creditors	3,337	2,100
	<u>42,915</u>	<u>38,551</u>

### 12. CREDITORS:

Amounts falling due after more than one year

	2014 £000	2013 £000
Accruals and deferred income	-	334
	<u>-</u>	<u>334</u>

### 13. RESERVES

	Members' Other Capital £000	Other Reserves £000	Total Reserves £000
At January 2014 - restated	20,306	(91,712)	(71,406)
Profit for the year	21,091	-	21,091
Actuarial loss on defined benefit pension scheme	-	(19,777)	(19,777)
Distributions	(10,067)	-	(10,067)
	<u>31,330</u>	<u>(111,489)</u>	<u>(80,159)</u>

The balances brought forward at 1 January 2014 have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets.

# CEREAL PARTNERS UK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 14. RECONCILIATION OF MEMBERS' INTERESTS

	Members Other Interests		Loans and Other Debts		
	Members' Other Capital £000	Other Reserves £000	Members' Loan Accounts £000	Members' Working Capital Balances £000	Total Members' Interest £000
At 1 January 2104 - restated	20,306	(91,712)	140,000	(20,013)	48,581
Profit for the year	21,091	-	-	-	21,091
Actuarial loss on defined benefit pension scheme	-	(19,777)	-	-	(19,777)
Distributions	(10,067)	-	-	-	(10,067)
Working capital movements	-	-	-	(10,054)	(10,054)
	<u>31,330</u>	<u>(111,489)</u>	<u>140,000</u>	<u>(30,067)</u>	<u>29,774</u>

The balances brought forward at 1 January 2014 have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets

Members' loans and other debts are constituted as follows.

	2014 £000	2013 £1000
Amounts due from members and members' group companies	34,340	22,279
Amounts due to members and members' group companies	(144,273)	(142,266)
	<u>(109,933)</u>	<u>(119,987)</u>

Amounts due from members and members' group companies include £19,384,000 (2013 - £3,069,000) representing cash transferred under the group cash pooling arrangement that can be recovered on request

### 15. DISTRIBUTIONS

	2014 £000	2013 £000
Distributions to members	<u>10,067</u>	<u>10,497</u>



# CEREAL PARTNERS UK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £000	2013 restated £000
Operating profit	21,720	23,854
Depreciation of tangible fixed assets	10,752	11,035
Loss on disposal of tangible fixed assets	579	376
Decrease in stocks	1,090	682
Decrease/(increase) in debtors	578	(1,012)
Increase/(decrease) in creditors	3,847	(6,829)
Decrease in net pension assets/liabilities	(10,789)	(9,271)
Members interests working capital movements	(10,054)	5,621
<b>Net cash inflow from operating activities</b>	<b>17,723</b>	<b>24,456</b>

The 2013 comparatives have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets

### 17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2014 £000	2013 restated £000
<b>Returns on investments and servicing of finance</b>		
Interest received	11,661	9,983
Interest paid	(12,538)	(12,586)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(877)</b>	<b>(2,603)</b>

The 2013 comparatives have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets.

	2014 £000	2013 £000
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(8,458)	(6,795)
Sale of tangible fixed assets	3	1
<b>Net cash outflow from capital expenditure</b>	<b>(8,455)</b>	<b>(6,794)</b>

## CEREAL PARTNERS UK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 18. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2014 £000	Cash flow £000	Other non-cash changes £000	31 December 2014 £000
Cash at bank and in hand	1,246	(1,245)	-	1
Bank overdraft	-	(431)	-	(431)
<b>Net funds</b>	<b>1,246</b>	<b>(1,676)</b>	<b>-</b>	<b>(430)</b>

#### 19. RELATED PARTY TRANSACTIONS

In the opinion of the members there is no overall controlling party

Cereal Partners UK is a jointly owned venture of Nestlé UK Limited and General Mills Canada Holding Three Corporation.

The ultimate parent of Nestlé UK Limited is Nestlé S.A. and the ultimate parent of General Mills Canada Holding Three Corporation is General Mills Inc.

Transactions with entities with joint control over the partnership:

During 2014 the partnership made sales of £241,084,000, purchases of £44,171,000 and incurred license fees of £11,982,000 with members and members' group companies

At the year end amounts owed by members totalled £14,955,000 and amounts owed to members totalled £124,888,000

Transactions with other related parties:

During 2014 the entity made sales of £5,075,000, purchases of £32,470,000 with other joint ventures of its member companies

At the year end amounts owed by other joint ventures of members totalled £451,000 and amounts owed to other joint ventures of members totalled £2,624,000.

#### 20. CAPITAL COMMITMENTS

At 31 December 2014 the partnership had capital commitments as follows:

	2014 £000	2013 £000
Contracted for but not provided in these financial statements	2	62

## CEREAL PARTNERS UK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 21. PENSION COMMITMENTS

The partnership operates a closed defined benefit pension scheme, the Cereal Partners UK Pension Fund (the Fund). At 31 December 2014 the partnership reported a liability of £50,166,000 (2013 - £41,178,000) in respect of this fund. A full actuarial valuation of the Fund was carried out as at 31 December 2011. The results of this valuation have been used and updated for FRS 17 purposes for the period to 31 December 2014 by a qualified independent actuary. As required by FRS 17 the valuation used the projected unit method, under which the current service cost will tend to increase as a percentage of pensionable payroll as the members of the Fund approach retirement.

The following table sets out the key assumptions used for the Fund:

	2014	2013
Assumptions and expected returns		
Price inflation	3.1%	3.3%
Discount rate	3.6%	4.4%
Pension increases	3.0%	3.1%
Salary growth	3.1%	3.3%
Life expectancy of a male aged 65	22.2 years	21.71 years
Expected long-term return on Fund assets	6.6%	6.9%

The expected long-term return is derived by taking the weighted average of the long-term expected return for each of the asset classes.

The following table sets out as at 31 December 2014 and 31 December 2013 the fair value of assets, a breakdown of the assets into main asset classes, the present value of the Defined Benefit Obligation (DBO) and the deficit of assets below the DBO which equals the gross pension liability.

	2014 £000	Long term rate of return expected	2013 £000	Long term rate of return expected
UK Equities	32,451	7.9%	32,183	8.3%
Overseas Equities	38,428	7.9%	36,089	8.3%
Debt	73,457	5.4%	67,885	5.6%
Diversified Growth fund	40,196	6.9%	23,019	7.3%
Cash and other current net assets	3,201	0.8%	2,725	3.3%
Fair value of Fund assets	187,733	6.6%	161,901	6.9%
Present value of Defined benefit Obligation	(237,899)		(203,079)	
Fund deficit	(50,166)		(41,178)	

During the year contributions by the partnership of £10,529,000 (2013 - £9,589,000) were made to the Fund in respect of the defined benefit members.

The estimated amount of total contributions expected to be made by the partnership to the fund during 2015 is £11,300,000.

**CEREAL PARTNERS UK**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**21. PENSION COMMITMENTS (continued)**

Changes in the present value of the Defined Benefit Obligation are as follows.

	2014 £000	2013 £000
Defined benefit obligation at 1 January	(203,079)	(189,772)
Current service cost	(3,198)	(2,188)
Contributions from Fund members	(611)	(982)
Interest on Fund liabilities	(8,817)	(8,113)
Actuarial loss on Fund liabilities	(28,268)	(7,232)
Benefits paid	5,378	5,208
Past service cost	696	-
Defined benefit obligation at 31 December	<u>(237,899)</u>	<u>(203,079)</u>

Changes in the present value of the Fund assets are as follows.

	2014 £000	2013 £000
Fair value of Fund assets at 1 January	161,901	143,784
Expected return on Fund assets	11,579	9,983
Actuarial gain on Fund assets	8,491	2,771
Employer contributions	10,529	9,589
Fund member contributions	611	982
Benefits paid	(5,378)	(5,208)
Fair value of Fund assets at 31 December	<u>187,733</u>	<u>161,901</u>

The actual return on the Fund's assets during 2014 was a positive return of £20,070,000 (2013 - positive return of £12,754,000)

The following amounts have been recognised within operating costs for the years to 31 December 2014 and 31 December 2013.

	2014 £000	2013 Restated £000
Current service cost	3,198	2,188
Past service cost	(696)	-
Total expense in operating cost	<u>2,502</u>	<u>2,188</u>

# CEREAL PARTNERS UK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 21. PENSION COMMITMENTS (continued)

The following amounts have been recognised within financing costs for the years to 31 December 2014 and 31 December 2013.

	2014	2013
	£000	Restated £000
Interest on Fund liabilities	8,817	8,113
Pension guarantee levy	300	300
Total expense in financing costs	<u>9,117</u>	<u>8,413</u>

The following amounts have been recognised within financing income for the years to 31 December 2014 and 31 December 2013

	2014	2013
	£000	Restated £000
Expected return on Fund assets	11,579	9,983
Total interest in financing income	<u>11,579</u>	<u>9,983</u>

The following amounts have been recognised within the Statement of Total Recognised gains and Losses for the years to 31 December 2014 and 31 December 2013

	2014	2013
	£000	£000
Actuarial losses	(19,777)	(4,461)
	<u>(19,777)</u>	<u>(4,461)</u>

The cumulative loss recognised outside the Profit and loss account in the Statement of Total Recognised Gains and Losses at 31 December 2014 is £115,422,000 (2013 - £95,645,000).

The 2013 comparatives have been restated to take account of a more appropriate analysis between interest payable, interest receivable, administrative expenses and Statement of Total Recognised Gains and Losses with no impact on net assets

# CEREAL PARTNERS UK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 21. PENSION COMMITMENTS (continued)

The recent five year history of assets, defined benefit obligation and deficit at each year-end is as follows:

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Defined benefit obligation	(237,899)	(203,079)	(189,772)	(159,253)	(173,518)
Fair value of scheme assets	187,733	161,901	143,784	129,201	115,977
Scheme deficit	<u>(50,166)</u>	<u>(41,178)</u>	<u>(45,988)</u>	<u>(30,052)</u>	<u>(57,541)</u>

The recent 5 year history of experience gains and losses on assets and liabilities is as follows:

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Experience adjustment on Fund assets					
Amount of gain/(loss)	8,491	2,771	1,453	(811)	4,222
Percentage of Fund assets at the year-end	4.5%	1.71%	1.01%	(0.1%)	3.6%
Experience adjustment on Fund Liabilities					
Amount of gain/(loss)	-	-	(637)	(2,479)	426
Percentage of the present value of the Fund liabilities at the year-end	0.0%	0.0%	0.3%	1.6%	(0.2%)

Cereal Partners UK participates in the Nestlé UK Pension Fund (the Fund), which includes a defined benefit and a defined contribution section. The partnership made contributions totalling £311,000 to the fund during 2014 (2013 - £311,000).

Cereal Partners UK is unable to identify its share of the underlying assets and liabilities of the Fund, as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the Fund. Contributions to the scheme have therefore been accounted for as if it were a defined contribution scheme. An update of the whole fund was prepared at 31 December 2014 by an independent qualified actuary for the purposes of FRS 17. At that date the liabilities exceeded the assets by £637,475,000 (2013 - £574,701,000).

### 22. OPERATING LEASE COMMITMENTS

At 31 December 2014 the partnership had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
	£000	£000	£000	£000
Expiry date:				
Within 1 year	-	-	296	319
Between 2 and 5 years	<u>1,005</u>	<u>1,022</u>	<u>509</u>	<u>482</u>