Registered number: 00275552

Nutricia Limited

Financial Statements

for the year ended 31 December 2011

Nutricia Limited

Contents

Nutricia Limited

Directors and advisers for the year ended 31 December 2011

Directors
J M Sykes
R D J Phillips
S M House

Company Secretary
S M House

Registered Office
Nutricia Limited
Newmarket Avenue
White Horse Business Park
Trowbridge
Wiltshire
BA14 0XQ

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
31 Great George Street
Bristol
BS1 5QD

Bankers
HSBC
Fore Street
Trowbridge
Wiltshire
BA14 8EL

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activity
The principal activity of the company during the year was the distribution, sale and marketing of specialist nutritional products for babies, young children and people with specific nutritional needs

Directors
The following persons acted as directors of the company during the year and up to the date of signing the financial statements

J M Sykes
R D J Phillips
S M House

Directors' indemnities
Third party indemnity insurance is provided by the ultimate parent company and was in place for all directors during 2011 and continues to be in place at the date of signing the financial statements

Results and dividends
The profit for the financial year amounted to £11,313,000 (2010 £21,568,000) Dividends of £8,005,000 (2010 £18,364,000) were paid during the year

Business review

Review of business and performance
Nutricia Limited is a specialist nutrition company which has built success through the understanding of nutrition and focus on the special nutritional needs of consumers – babies, young children and those who are sick or elderly We grow our business through consumer-led innovations backed by strict quality controls For all our consumers, product safety is our first concern Within these specialised areas the company has developed market leading positions

- Danone Baby Nutrition is a leading innovator in high-quality milks and weaning foods for babies and young children, across the 0-3 age range

- Advanced Medical Nutrition delivers products to combat medical malnutrition, to help sick people manage their condition in specific disease areas, and to support others with special nutritional needs

2011 turnover was £397,785,000 (2010 £368,729,000) and operating profit from continuing activities was £14,449,000 (2010 £27,650,000) The sales growth was achieved through growth in both Danone Baby Nutrition and Advanced Medical Nutrition

Net assets of the company at the end of the year were £31,491,000 (2010 £28,525,000)

Nutricia Limited

Directors' report for the year ended 31 December 2011 (continued)

Business review (continued)

Key Performance Indicators

	2011	2010	**Definition, method of calculation and analysis**
Growth in turnover – (%)	7 9	10 1	This increase is in line with the company's overall growth strategy Turnover has increased due to product innovations and market share improvements
Operating profit – (£'000)	14,449	27,650	Investment behind the company's brands has increased across the two divisions There has been significant investment in growth categories which, whilst contributing to absolute sales growth, along with increased commodity prices, has led to a reduction in the company's operating profit The company continues to focus on achieving efficiencies around administrative expenses

Future outlook

- Danone Baby Nutrition

Our focus is to use the strong foundations we have created in every category, to continue the strong growth of recent years

We continue to transform our product portfolio with a number of innovations and introductions, fulfilling our commitment to provide consumers with an ever broader range of convenient, attractive and nutritionally superior products

Healthy, safe nutrition is the foundation of all of our baby nutrition products, whatever the category, and we understand the importance of addressing our consumers with simplicity and clarity when communicating these benefits

- Advanced Medical Nutrition

Our focus is on improving the quality of life and health of the elderly and other vulnerable groups through the use of Advanced Medical Nutrition

We will continue to build on our growth by raising awareness of the benefits of Advanced Medical Nutrition and continuing to bring innovation across both our core products and those focussed on specific diseases

Directors' report for the year ended 31 December 2011 (continued)

Business review (continued)

On 1 January 2012 the company began the process of integrating various functions of a fellow group undertaking, Complan Foods Limited

Principal business risks

The principal business risk areas inherent to our business are summarised below

- Product quality

Product quality and food safety play a critical role in the company's ability to serve our customers Imperfect or non-performing products may also be the cause of customer complaints, warranty claims, returns, product liability claims and litigation, with a consequent loss of revenues, market share and business reputation To minimise our exposure to product quality and food safety risks Danone SA has defined and implemented stringent policies and procedures at all of its supply points

- Production concentrated in limited specialist facilities

Production is concentrated at a limited number of specialist facilities in order for the company to ensure product quality However in the event of extreme situations such as stoppages caused by acts of sabotage or terror, labour disputes or natural catastrophes, there is a risk of limited product supply Should these extreme circumstances arise the company would be able to ensure that alternative supply of product is obtained from other specialist facilities within the group

- Legal and regulatory risk

The business of the company is subject to regulation by international, national and local governmental agencies Changes to current legislation may impact our business or our strategy, or the claims that we are permitted to make about the health benefits of our products The company relies on the willingness of retailers, wholesalers and other distributors to carry our products and on the inclusion of our Advanced Medical Nutrition products on lists of reimbursable products Danone SA and Nutricia Limited addresses the regulatory, marketing and distribution issues through sound, professional business practice – observance of appropriate legislation and the policies of health authorities and insurers, acute awareness of the competitive environment and strong relationships with customers and suppliers

Directors' report for the year ended 31 December 2011 (continued)

Financial risk management

Financial instruments
In the current accounting period the company did not use derivative financial instruments to manage interest rate costs or currency exposure and as such, no hedge accounting is applied Hedging arrangements were entered into by a fellow group undertaking during the year in respect of the subsequent accounting period The company, as a wholly owned subsidiary of Danone SA, follows the Danone corporate treasury policies in respect of financial risk management

Foreign exchange risk
The company is exposed to foreign exchange risk principally in respect of the Euro Foreign exchange risk arises from future commercial transactions, recognised trading assets and liabilities and amounts due or from fellow group undertakings The exposure to foreign exchange risk is primarily mitigated through the use of forward purchase contracts entered into on the company's behalf by a fellow group undertaking

Price risk
The company is exposed to general price risks as a result of its operations However, for certain supplies of goods and services, short-term purchase contracts are in place

The directors will revisit the appropriateness of this policy should the company's operations change in size or nature The company has no exposure to equity securities price risk as it holds no listed or other equity investments

Credit risk
The company has implemented procedures that require appropriate credit checks on potential customers before sales commence The level of exposure to any individual counterparty is subject to a limit, which is reassessed on an ongoing basis

Liquidity risk
The company has no external loans or borrowing facilities Cash balances are managed to ensure the company has sufficient available funds for operations and planned expansions

Interest rate and cash flow risk
The company has interest bearing assets and liabilities Interest bearing assets and liabilities include cash balances and balances with fellow group undertakings The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

Employment of disabled persons
The company follows a standard practice towards all applications for employment in the light of its requirements and the qualifications, aptitudes and abilities of each individual It makes no distinction in considering applications from disabled people Where people are unfortunate enough to become disabled during the course of their employment, every practical effort is made to retain their services and provide retraining if necessary All employees are eligible for consideration for appropriate training, career development and promotional opportunities and disabled people are not treated any differently in this respect

Employee involvement

The company is committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests Financial and economic factors affecting the performance of the company and the ultimate parent undertaking are disclosed to and discussed with them

Charitable donations

The company supports various employee initiatives to raise funds for charitable causes In the current year £1,031 (2010 £4,841 was donated, being £2,000 to support the Golden-Oldies Charity, in addition to miscellaneous donations of less than £1,000 each)

Directors' responsibilities statement

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

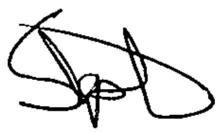
Directors' report for the year ended 31 December 2011 (continued)

Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware

Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By Order of the Board on 17 September 2012



S M House
Company Secretary

Independent auditors' report to the members of Nutricia Limited

We have audited the financial statements of Nutricia Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 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)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the 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 2011 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 the other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Nutricia Limited (continued)

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

Elliot Rees

Elliot Rees (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 September 2012

Nutricia Limited

Profit and loss account for the year ended 31 December 2011

	Note	**2011** **£'000**	**2011** **£'000**	2010 £'000	2010 £'000
Turnover			**397,785**		368,729
Cost of sales			**(277,524)**		(242,219)
Gross profit			**120,261**		126,510
Selling and distribution costs		**(77,253)**		(73,439)	
Administrative expenses		**(28,559)**		(25,421)	
			(105,812)		(98,860)
Operating profit			**14,449**		27,650
Interest receivable and similar income	3	**208**		717	
Interest payable and similar charges	3	**(763)**		(790)	
Other finance income/(expense)	14	**84**		(64)	
Profit on ordinary activities before taxation	3		**13,978**		27,513
Tax on profit on ordinary activities	6		**(2,665)**		(5,945)
Profit for the financial year	17,18		**11,313**		21,568

All of the company's activities are continuing in both the current and prior year

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents in both the current and prior year

Nutricia Limited

Statement of total recognised gains and losses for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year	17	**11,313**	21,568
Actuarial (loss)/gain recognised in the pension scheme	14	**(711)**	373
Movement on deferred tax relating to pension liability	11	**188**	(101)
Total recognised gains relating to the year		**10,790**	21,840

Nutricia Limited

Balance sheet as at 31 December 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets					
Tangible assets	8		**9,329**		10,943
Current assets					
Stocks	9	**21,950**		16,232	
Debtors	10	**57,862**		56,970	
Cash at bank and in hand		**5,138**		4,157	
			84,950		77,359
Creditors: amounts falling due within one year	12		**(59,343)**		(56,472)
Net current assets			**25,607**		20,887
Total assets less current liabilities			**34,936**		31,830
Provisions for liabilities and charges	13		**(1,672)**		(1,462)
Net assets excluding pension deficit			**33,264**		30,368
Pension deficit	14		**(1,773)**		(1,843)
Net assets including pension deficit			**31,491**		28,525
Capital and reserves					
Called up share capital	16		**9,705**		9,705
Share premium account	17		**1**		1
Profit and loss account	17		**18,986**		16,201
Revaluation reserve	17		**82**		82
Other reserves	17		**2,717**		2,536
Total shareholders' funds	18		**31,491**		28,525

The financial statements on pages 10 to 31 were approved and authorised for release by the board of directors on 17 September 2012 and were signed on its behalf by

S M House
Director

Nutricia Limited

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards A summary of the more important accounting policies, which have been consistently applied, is set out below

Basis of Accounting
The financial statements are prepared on a going concern basis and in accordance with the historical cost convention

Cash Flow Statement
The company is a wholly owned subsidiary within a group that prepares consolidated financial statements which are publicly available The company has taken advantage of the exemption from preparing a cash flow statement included in FRS1 (revised 1996) "Cash Flow Statements"

Turnover
This is stated at net invoiced value of goods supplied to customers within the company's ordinary activities after deduction of trade discounts, sales rebates and value added tax Turnover is recognised at the point that the risks and rewards of ownership are transferred to the customer, being at the point of despatch

Tangible assets
Tangible assets are stated at cost less accumulated depreciation The cost of a tangible fixed asset comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use In accordance with the transitional provisions of FRS 15 "Tangible Fixed Assets" revalued carrying amounts have been adopted at cost

Tangible assets are written off over the period of their expected useful lives on a straight line basis

The principal useful lives used are as follows

Freehold land and buildings	33 years
Plant and machinery	10 years
Fixtures, fittings, tools and equipment	5 years
Computer equipment and software	3-4 years

Freehold land is not depreciated Assets in the course of construction are not depreciated

Current tax
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted

Nutricia Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

Deferred tax (continued)
Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Stocks
Stocks are held at the lower of cost and net realisable value Cost is determined on a weighted average basis Net realisable value is based on actual or estimated selling prices less costs of completion and disposal including selling overheads The amount of any write-down of stocks to net realisable value and all other losses of stocks are recognised as an expense in the period the write-down or losses occur Where necessary, provision is made for obsolete, slow-moving or defective stocks

Provisions
Provisions for risks and charges cover certain or probable losses and charges whose timing or amount was uncertain at the reporting date The provision is recognised only when a current obligation (legal or constructive) exists as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation The amount reflects the best current estimate of the cost of fulfilling the obligation

Foreign currencies
Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date or the rate of exchange at which the transaction is contracted to be settled in the future All differences on exchange are taken to the profit and loss account

Operating leases
Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

Pension scheme arrangements
The company operates a defined benefit scheme funded via regular contributions The fund is valued every three years by a professionally qualified independent actuary using the projected unit method Pension costs are charged to administrative expenses and other finance expense in accordance with FRS 17 'Retirement Benefits', with actuarial gains and losses being recognised in the statement of total recognised gains and losses

Costs in respect of defined contribution schemes are charged to the profit and loss account as incurred The company provides no other post retirement benefits to its employees

Share based payments
Danone SA group performance shares and share options are provided to directors and certain members of senior management The company recognises the fair value at the date of grant of these share based payments to personnel costs in the profit and loss account over the vesting period, and recognises an opposite amount directly in reserves The fair value of the company's share based payments is calculated using the Black Scholes simulation model Market and non-market vesting conditions were included in the assumptions regarding the number of share options that are expected to become exercisable at each balance sheet date At each balance sheet date, the number of share options outstanding are reviewed and revised if applicable

2 Turnover

The analysis of turnover by market is given below

	2011 £'000	2010 £'000
United Kingdom and Eire	**397,785**	368,729

The company's activities consist solely of the distribution, sale and marketing of specialist nutritional products for babies, young children and people with specific nutritional needs Included in the above figures, is turnover with other group companies of £741,000 (2010 £1,011,000)

The 2010 comparative figure for turnover with other group companies has been restated in order to achieve consistent presentation with the 2011 disclosure

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

		2011 £'000	2010 £'000
a)	Depreciation of tangible assets – owned assets	**3,284**	2,977
	Loss on disposal of tangible assets	**4**	36
	Operating lease rentals		
	- land and buildings	**662**	313
	- motor vehicles	**1,737**	1,637
	- hire of plant and machinery	**184**	147
	- other	**219**	331
b)	Auditors' remuneration		
	- audit of statutory financial statements	**50**	54
c)	Interest receivable and similar income		
	- interest receivable from fellow group undertakings	**(201)**	(700)
	- interest receivable on balances held at bank	**(7)**	(17)
		(208)	(717)
d)	Interest payable and similar charges		
	- foreign exchange losses	**94**	188
	- interest payable to fellow group undertakings	**522**	376
	- Interest payable on balances held at bank	**9**	-
	- financing costs payable to fellow group undertakings	**127**	215
	- bank charges payable	**11**	11
		763	790

Fees payable to the company's auditors in respect of the Nutricia Limited Staff Pension Scheme audit were £12,000 (2010 £11,000)

Notes to the financial statements for the year ended 31 December 2011 (continued)

4 Employees

The monthly average number of persons, including executive directors, employed by the company during the period was

By activity	2011 Number	2010 Number
Sales and distribution	**646**	622
Administration	**64**	62
	710	684

Staff costs including directors' emoluments amounted to

	2011 £'000	2010 £'000
Wages and salaries	**26,622**	26,375
Social security costs	**3,110**	2,710
Other pension costs – defined benefit scheme	**127**	160
Other pension costs – defined contribution scheme	**1,217**	1,016
Share based payments charge/(credit) (note 15)	**181**	(106)
	31,257	30,155

5 Directors' emoluments

	2011 £'000	2010 £'000
Aggregate emoluments and benefits	**965**	825
Company pension contributions to money purchase schemes	**67**	65
	1,032	890

Retirement benefits are accruing to none (2010 none) of the directors under a defined benefit scheme and 3 (2010 3) directors under a money purchase scheme No director exercised any share options during the year

	2011 £'000	2010 £'000
Highest paid director		
Aggregate emoluments and benefits	**457**	395
Company pension contributions to money purchase scheme	**31**	30
	488	425

Nutricia Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Tax on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax		
UK corporation tax on profits of the year	**4,168**	7,631
Adjustments in respect of prior years	**(1,388)**	(931)
Total current tax charge	**2,780**	6,700
Deferred tax		
Origination and reversal of timing differences (accelerated capital allowances and other timing differences)	**(511)**	38
Origination and reversal of timing differences (pension scheme)	**231**	235
Share based payments	**(41)**	(103)
Impact of enacted tax rate changes	**177**	54
Adjustments in respect of prior years	**29**	(979)
Total deferred tax credit	**(115)**	(755)
Tax on profit on ordinary activities	**2,665**	5,945

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 26 5% (2010 28%) The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	**13,978**	27,513
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 5% (2010 28%)	**3,704**	7,704
Effects of		
- Expenses not deductible for tax purposes	**136**	230
- Accelerated capital allowances and other timing differences	**511**	(38)
- Other timing differences – pension scheme	**(231)**	(235)
- Share based payments	**48**	(30)
- Adjustments in respect of prior years	**(1,388)**	(931)
Current tax charge for the year	**2,780**	6,700

6 Tax on profit on ordinary activities (continued)

Factors that may affect future tax charge

The Finance Bill 2011, enacted as Finance (no 2) Act 2011 in July 2011, reduced the main corporation tax rate from 26% to 25% with effect from 1 April 2012 In addition further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement the UK main rate of corporation tax was reduced from 26% to 24% from 1 April 2012 and a further reduction in the main rate from 24% to 23% from 1 April 2013 is included in the Finance Act 2012 Further reductions to the main rate are proposed to reduce the rate by a further 1% to 22% from 1 April 2014 These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The estimated impact of this announcement is up to a charge of £188,000 which would be reflected in the profit and loss account and up to a charge of £nil which would be reflected in reserves

7 Dividends

	2011	2010
	£'000	£'000
Ordinary dividend paid	**8,005**	18,364

The total ordinary dividends shown above comprise 59 71p paid in June 2011 and 22 77p paid in December 2011 (2010 118 92p per share paid in June 2010 and 70 31p per share paid in December 2010)

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings tools and equipment £'000	Computer equipment and software £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation						
At 1 January 2011	5,008	248	10,462	8,037	986	24,741
Additions	61	-	69	223	1,320	1,673
Transfers	-	-	1,180	913	(2,093)	-
Disposals	-	-	(610)	(179)	-	(789)
At 31 December 2011	**5,069**	**248**	**11,101**	**8,994**	**213**	**25,625**
Accumulated depreciation						
At 1 January 2011	1,805	248	5,651	6,093	-	13,797
Charge for the year	153	-	1,961	1,170	-	3,284
Disposals	-	-	(610)	(175)	-	(785)
At 31 December 2011	**1,958**	**248**	**7,002**	**7,088**	**-**	**16,296**
Net book value						
At 31 December 2011	**3,111**	**-**	**4,099**	**1,906**	**213**	**9,329**
At 31 December 2010	3,203	-	4,811	1,944	986	10,944

Freehold land and buildings are analysed as follows

	2011 £'000	2010 £'000
At open market valuation in 1981	**882**	882
At cost	**4,126**	4,022
Additions	**61**	10
Transfers	**-**	94
	5,069	5,008

Notes to the financial statements for the year ended 31 December 2011 (continued)

9 Stocks

	2011	2010
	£'000	£'000
Finished goods and goods for resale	**21,950**	16,232

10 Debtors

	2011	2010
	£'000	£'000
Trade debtors	**15,111**	17,871
Amounts owed by fellow group undertakings		
- Current trading amounts receivable	**105**	227
- Current non-trading amounts receivable	**37,017**	35,018
Deferred tax asset (see note 11)	**1,753**	1,360
Corporation tax recoverable	**1,120**	119
VAT recoverable	**1,876**	1,369
Prepayments	**509**	504
Other debtors	**371**	502
	57,862	56,970

Amounts receivable from fellow group undertakings are unsecured and repayable on demand Trading balances do not receive interest

11 Deferred Tax

	2011	2010
	£'000	£'000
Tax effect on timing differences because of:		
Excess of depreciation over capital allowances	**1,234**	1,003
Other short term timing differences	**383**	254
Share based payments	**136**	103
Deferred tax asset included in debtors	**1,753**	1,360
Pension deficit (note 14)	**591**	681
Deferred tax asset at 31 December 2011	**2,344**	2,041

Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Deferred Tax (continued)

The movement in the deferred tax asset is as follows

	2011 £'000	2010 £'000
Deferred tax asset at 1 January 2011	**2,041**	1,387
Credited to the profit and loss account	**115**	755
Credited/(charged) to the statement of total recognised gains and losses	**188**	(101)
Deferred tax asset at 31 December 2011	**2,344**	2,041

Deferred tax balances are determined based on the prevailing rate of corporation tax at the point in time the timing differences are anticipated to reverse For the 2011 accounting period this rate is 25% (2010 27%)

12 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	**26,950**	21,733
Accruals	**3,803**	2,503
Amounts owed to fellow group undertakings		
- Current trading amounts payable	**21,865**	23,801
- Current non-trading amounts payable	**1,365**	3,458
Taxation and social security	**4,747**	4,557
Other creditors	**613**	420
	59,343	56,472

Amounts payable to fellow group undertakings are unsecured and repayable on demand Trading balances do not receive interest

13 Provisions for liabilities and charges

	GPU Provision £'000	Restructuring Provision £'000	Total £'000
At 1 January 2011	1,022	440	1,462
Charged to the profit and loss account	456	-	456
Utilised	(246)	-	(246)
At 31 December 2011	**1,232**	**440**	**1,672**

GPU Provision

Since the 2008 accounting period, Danone Groupe Performance Units (GPU's) have been granted to directors and certain members of senior management GPU's are paid in cash by the company, with their value being linked to Danone's growth and operating margin performance across a 3 year period The value of any GPU payment is fixed in euro This is then converted into sterling based on the prevailing exchange rate on the first day of any month where a GPU payment is due to be made The amount provided is that expected to be payable in respect of the Danone Groupe Performance Units scheme assuming that all performance conditions are achieved

Restructuring provision

The restructuring provision relates to costs in respect of a forthcoming change in the company's warehouse provider The majority of these costs are expected to be utilised during the subsequent accounting period

14 Pension commitments

The company participates in both a defined benefit and a defined contribution (money purchase) pension scheme The assets of the schemes are held in separate trustee administered funds

Defined contribution scheme

The company participates in a defined contribution scheme for certain employees The contribution in 2011 was £1,219,000 (2010 £980,000) Costs in respect of the defined contribution scheme are charged to the profit and loss account as they are incurred

Defined benefit scheme

The company operates a defined benefit scheme, which is now closed to new members The fund is valued every three years by a professionally qualified independent actuary using the projected unit method Pension costs are charged to operating expenses and other finance income/expense in accordance with FRS 17 – Retirement Benefits, with actuarial gains and losses being recognised in the statement of total recognised gains and losses

Nutricia Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

14 Pension commitments (continued)

The company provides no other post retirement benefits to its employees

The actuarial calculations as at 31 December 2011 show a deficit, before deferred tax, of £2,364,000 (2010 £2,524,000) for the pension scheme, calculated in accordance with FRS 17

The total contributions paid by Nutricia Limited in 2011 were £998,000 (2010 £1,000,000) Pension costs are accrued as appropriate The company expects to contribute £977,000 to the defined benefit scheme in 2012

A full actuarial valuation was carried out as at 6 April 2010 The current arrangement as regards to contribution levels are described in the Schedule of Contributions dated 28 February 2008

The following principal actuarial assumptions have been used to estimate the reported position at the balance sheet date

	31 December 2011	31 December 2010
Discount rate	**4.80%**	5 40%
Expected long-term return on scheme assets	**5 50%**	6 23%
Inflation	**3.00%**	3 40%
Rate of salary increase	**3.00% fixed for two years, 3 50% thereafter**	3 00% for three years 3 90% thereafter
Rate of increase in pension payment for service from 1997 to 2005	**3 50%**	3 80%
Rate of increase in pension payment for service after 2005	**2 10%**	2 30%

In addition to the above financial assumptions, the principal demographic assumptions used by the actuary related to post-retirement member mortality are as follows

	31 December 2011 Male	**31 December 2011 Female**	31 December 2010 Male	31 December 2010 Female
Member age 65 (current life expectancy)	**23**	**25**	22	24
Member age 45 (life expectancy at age 65)	**25**	**27**	24	26

Notes to the financial statements for the year ended 31 December 2011 (continued)

14 Pension commitments (continued)

Five year history	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Defined benefit obligation at end of year	**(28,411)**	(26,472)	(26,000)	(25,291)	(25,663)
Fair value of scheme assets at end of year	**26,047**	23,948	22,263	18,402	21,071
Deficit	**(2,364)**	(2,524)	(3,737)	(6,889)	(4,592)
Experience adjustments on scheme assets	**797**	856	497	(4,661)	1,317
Experience adjustments on scheme liabilities	**(53)**	732	(318)	929	(2,376)
Actuarial gains / (losses) recognised in the statement of total recognised gains and losses	**(711)**	373	179	(3,732)	(1,059)

The net pension deficit recognised in the balance sheet at 31 December is

	Expected rate of return	Value at 2011 £'000	Expected rate of return	Value at 2010 £'000
Equities	**7.40%**	**11,294**	7 70%	11,735
Bonds	**3.90%**	**13,374**	4 80%	10,777
Real Estate	**4.90%**	**1,275**	5 20%	1,197
Other	**2 80%**	**104**	4 20%	239
Market value of scheme assets		**26,047**		23,948
Present value of scheme liabilities		**(28,411)**		(26,472)
Deficit in the scheme		**(2,364)**		(2,524)
Related deferred tax asset (note 11)		**591**		681
Net pension deficit		**(1,773)**		(1,843)

14 Pension commitments (continued)

Change in benefit obligation

	2011	2010
	£'000	£'000
Benefit obligation at beginning of year	**26,472**	26,000
Current service cost	**211**	96
Interest cost	**1,403**	1,440
Scheme participants' contributions	**24**	36
Actuarial losses	**1,508**	483
Benefits paid	**(1,207)**	(1,583)
Benefit obligations at the end of the year	**28,411**	26,472

Change in fair value of scheme assets

	2011	2010
	£'000	£'000
Fair value of scheme assets at beginning of year	**23,948**	22,263
Expected return on scheme assets	**1,487**	1,376
Actuarial gains	**797**	856
Employer contributions	**998**	1,000
Member contributions	**24**	36
Benefits paid	**(1,207)**	(1,583)
Fair value of scheme assets at end of year	**26,047**	23,948
Actual return on scheme assets in the year was	**2,284**	2,232

Scheme assets

The weighted average asset allocation was as follows

	2011	2010
Asset category		
Equities	**43%**	49%
Bonds	**51%**	45%
Real Estate	**5%**	5%
Other	**1%**	1%
	100%	100%

14 Pension commitments (continued)

Components of pension cost

	2011 £'000	2010 £'000
Current service cost	**211**	96
Interest cost	**1,403**	1,440
Expected return on scheme assets	**(1,487)**	(1,376)
Total pension cost recognised in the profit and loss account	**127**	160
Actuarial losses – benefit obligations	**(1,508)**	(483)
Actuarial gains – scheme assets	**797**	856
Actuarial gains recognised in the statement of total recognised gains and losses	**(711)**	373
Cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses	**(2,687)**	(1,976)

The amount charged to other finance income in the year of £84,000 (2010 expense of £64,000) represents the difference between interest cost on scheme liabilities and the expected return on scheme assets

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 5 50% assumption

15 Share based payments

Group performance shares were granted to directors and certain members of senior management on 28 April 2011 (2010 26 July) in accordance with the Danone 2011 Group Performance Shares Plan (GPS) Prior to the 2010 accounting period, share options were granted to directors and certain members of senior management in accordance with the Groupe Danone Stock Option Plans (GDSOP)

Group Performance Shares
The 2011 Group Performance Shares granted on 28 April 2011 will vest on the date of delivery which is 4 years after the date of grant (2010 4 years) Subject to performance conditions being met, the 2011 Group Performance Shares are issued immediately (2010 Group Performance Shares are issued immediately) The exercise of share options and sale of Danone SA shares are subject to certain restricted periods when no exercise or sale is permitted

Notes to the financial statements for the year ended 31 December 2011 (continued)

15 Share based payments (continued)

Group Performance Shares (continued)
2011 Group Performance Shares will be delivered to each applicable director and member of senior management on 29 April 2015 This is contingent on two performance conditions being met in respect of the 2011 and 2012 accounting periods Shares granted under the GPS are subject to Danone's consolidated net sales increasing by at least 5% on average over the 2011 and 2012 accounting periods, and subject to Danone's consolidated free cash flow increasing by at least 10% on average, also over the 2011 and 2012 accounting periods In limited circumstances Group Performance Shares may not be subject to these performance conditions provided that the number of these shares does not exceed 33% of the total Group Performance Shares granted to the relevant director or member of senior management

Group Performance Shares are cancelled if an individual leaves Danone SA during the vesting period or if the employing company leaves the Danone group

The charge for the year related to equity based share based payments transactions was £181,000 (2010 credit £106,000) After deferred tax, the total charge was £147,000 (2010 £209,000 credit)

Fair value of Group Performance Shares
The weighted average fair value of Group Performance Shares granted in the year was £276,000 (2010 £285,000) These fair values have been estimated using the Black Scholes simulation model based on the following assumptions

	Group Performance Shares 2011	Group Performance Shares 2010
Grant date	**28/04/2011**	26/07/2010
Share price at grant date	**£44.60**	£38 74
Exercise price	**N/A**	N/A
Number of employees	**18**	16
Number of Group Performance Shares	**6,185**	7,349
Vesting period (years)	**4**	4
Option life (years)	**-**	-
Risk-free interest rate	**N/A**	N/A
Expected dividend yield	**N/A**	N/A
Expected share price volatility	**N/A**	N/A
Fair value per share / option	**£44 60**	£38 74

Notes to the financial statements for the year ended 31 December 2011 (continued)

15 Share based payments (continued)

Fair value of Group Performance Shares (continued)
The expected share price volatility is based on the historic volatility of Danone SA's share price

The range of exercise prices for the outstanding share options as at 31 December 2011 is between £35 91 and £44 99 (2010 £35 91 and £44 99)

The weighted average contractual life in respect of the outstanding share options as at 31 December 2011 was 4 88 years (2010 5 88 years)

The weighted average contractual life in respect of the outstanding Group Performance Shares as at 31 December 2011 was 2 98 years (2010 3 57 years)

The number of share options/Group Performance Shares granted, forfeited, exercised and expired are as follows

Share Options

	2011	2011	2010	2010
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
Outstanding at 1 January	**41,775**	**£40 22**	72,589	£38 55
Granted	-	-	-	-
Forfeited	**(5,211)**	**(£41.02)**	(30,814)	£41 74
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 December	**36,564**	**£40 12**	41,775	£40 22
Exercisable at 31 December	**16,000**	**£44.31**	-	-

15 Share based payments (continued)

Group Performance Shares

	2011	2011	2010	2010
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
At 1 January	7,349	N/A	-	-
Correction to opening balance	(1,550)	N/A	-	-
Granted	6,185	N/A	7,349	N/A
Forfeited	(600)	N/A	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 December	11,384	N/A	7,349	N/A

16 Called up share capital

	Authorised	
	2011	2010
	£'000	£'000
10,000,000 (2010 10,000,000) Ordinary shares of £1 each	10,000	10,000

	Allotted and fully paid	
	2011	2010
	£'000	£'000
9,704,954 (2010 9,704,954) Ordinary shares of £1 each	9,705	9,705

Notes to the financial statements for the year ended 31 December 2011 (continued)

17 Reserves

	Share premium account	Revaluation reserve	Other reserves	Profit and loss account
	£'000	£'000	£'000	£'000
1 January 2011	1	82	2,536	16,201
Profit for the financial year	-	-	-	11,313
Dividends paid	-	-	-	(8,005)
Actuarial loss recognised in the pension scheme	-	-	-	(711)
Movement on deferred tax relating to the pension scheme	-	-	-	188
Share based payment charge	-	-	181	-
At 31 December 2011	**1**	**82**	**2,717**	**18,986**

Other reserves represent the cumulative share based payment charge

18 Reconciliation of movements in shareholders' funds

	2011	2010
	£'000	£'000
Profit for the financial year	**11,313**	21,568
Dividends paid	**(8,005)**	(18,364)
Actuarial (loss)/gain recognised in the pension scheme	**(711)**	373
Movement on deferred tax relating to the pension scheme	**188**	(101)
Share based payments charge/(credit)	**181**	(106)
Net increase to shareholders' funds	**2,966**	3,370
Opening shareholders' funds	**28,525**	25,155
Closing shareholders' funds	**31,491**	28,525

Notes to the financial statements for the year ended 31 December 2011 (continued)

19 Financial commitments

The company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings 31 December 2011 £'000	Other 31 December 2011 £'000	**Total 31 December 2011 £'000**
Within 1 year	661	1,223	**1,884**
Between 2 and 5 years	-	1,277	**1,277**
	661	2,500	**3,161**

In the prior year the company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings 31 December 2010 £'000	Other 31 December 2010 £'000	**Total 31 December 2010 £'000**
Within 1 year	640	1,217	**1,857**
Between 2 and 5 years	9	1,500	**1,509**
	649	2,717	**3,366**

20 Related party transactions

As the company is a wholly owned subsidiary of a group that prepares consolidated financial statements which are publicly available, the company has taken advantage of the exemption from disclosing transactions with group entities available under FRS 8 "Related party disclosures"

21 Ultimate parent undertaking

The immediate parent undertaking is Nutricia (Cow & Gate, Milupa) Holdings Limited, a company registered in England and Wales

The smallest and largest group in which the results of the company are consolidated is that headed by Danone SA, which is the ultimate parent undertaking incorporated in France The directors regard Danone SA as the ultimate holding company and controlling party

The consolidated financial statements of Danone SA are available to the public and may be obtained from Danone, 17 Boulevard Haussman, 75009 Paris, France or alternatively at www danone com