

**NESTLÉ UK LTD**

**REPORT AND ACCOUNTS**

**31 DECEMBER, 1994**

Registered Nos. 51491 (Cardiff)  
NF 00340 (Belfast)



**NESTLÉ UK LTD****Report of the Directors for the year ended 31st December 1994****BUSINESS REVIEW**

The Company is the principal trading company of the Nestlé Group in the U.K engaged in the manufacture and sale of food and drink products. 1994 was a difficult year for the Company, in tough market conditions. In February 1994, the Company announced a major review of its activities. The review identified certain products of the Company which were not profitable. The Company decided to cease production of certain lines to focus its energy and resources on those areas which could contribute to the profitable growth of the Company. The Company looks forward to growth and development.

The Company announced closures of its Norwich and Milnthorpe factories and the cessation of canning of culinary products. The Company's Distribution Centre at Bardon was opened; some smaller distribution depots were closed.

The Company's pension funds were merged and its Quality Assurance Laboratories were moved from Croydon to York.

**DIVIDEND**

An interim dividend of £200,000,000 was declared. The Directors do not recommend payment of a final dividend.

**RESERVES**

The retained loss of £195,800,000 is to be transferred from Reserves.

**RESEARCH & DEVELOPMENT**

These activities are undertaken for the Nestlé Group by fellow subsidiaries of the ultimate holding company.

**FIXED ASSETS**

Movements on fixed assets are set out in Note 12 to the accounts.

**EMPLOYEES**

The Company recognises the benefits of keeping employees informed of the progress of the business. During the period employees were provided regularly with information regarding the development of the business through management briefings and employee reports. Regular consultations took place with employees and their representatives, providing the opportunity for them to express their views on matters that were likely to affect their interests.

Health and safety matters are given special attention. Where practicable, consideration is given to the employment of disabled persons, employees who become disabled are retained through redeployment and retraining, and disabled employees are given training to seek to enable them to qualify for the same career opportunities as those who are not.

**ENVIRONMENT**

The Company seeks to develop business practices and behaviour which meet the highest standards of responsibility towards the environment. It sees conservation and development as mutually reinforcing each other in pursuit of sustainable growth. The business provides high-quality products which benefit the consumer while remaining good value for money. 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. The Company wishes to be a good neighbour in all those communities within which it operates and encourages its employees to be active ambassadors of good environmental practice.

## **NESTLÉ UK LTD**

### **Report of the Directors for the year ended 31st December 1994**

#### **DIRECTORS**

Messrs. P.H. Blackburn, Chairman & Managing Director, R.R. Baker, D.F. Harris, G. Millar, A. Revell and A.D. Koutaissoff were Directors throughout the period.

Mr R. C. H. Webb resigned as a Director on 1st April 1994.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare accounts for each financial year which 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 those accounts the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

#### **AUDITORS**

On 6th February 1995, our auditors changed the name under which they practise to KPMG, and accordingly have signed their report in their new name. The Auditors, KPMG will continue in office. The Company has dispensed with the obligation to appoint auditors annually, in accordance with Section 386 of the Companies Act 1985.

#### **ELECTIVE REGIME**

The Company has elected to dispense with the laying of accounts and reports before a General Meeting and with the holding of Annual General Meetings, in accordance with Sections 252 and 366(A) respectively of the Companies Act 1985.

**BY ORDER OF THE BOARD**



R.P.J. Sonneborn  
Secretary

St. George's House  
Croydon, CR9 1NR

10th May 1995

**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**NESTLÉ UK LTD**

We have audited the accounts on pages 4 to 22.

**Respective responsibilities of directors and auditors**

As described on page 2 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit of those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31st December 1994, and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

KPMG

Chartered Accountants

Registered Auditors

LONDON

*May 10th 1995.*

NESTLÉ UK LTDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST DECEMBER, 1994

	<u>Note</u>	<u>1994</u> £m	<u>1993</u> £m
Turnover	2	1,743.4	1,700.2
Cost of sales	4	<u>(1,291.2)</u>	<u>(1,211.0)</u>
Gross profit		452.2	489.2
Distribution costs	4	(244.4)	(247.0)
Administrative expenses	4	<u>(110.4)</u>	<u>(95.5)</u>
Operating profit		97.4	146.7
Other interest receivable and similar income	5	1.4	3.5
Interest payable and similar charges	6	(86.9)	(98.3)
Share of losses of joint venture		<u>(1.5)</u>	<u>(4.6)</u>
Profit on ordinary activities before taxation	7	10.4	47.3
Tax on profit on ordinary activities	10	<u>(6.2)</u>	<u>(3.0)</u>
Profit on ordinary activities after taxation		4.2	44.3
Dividends paid and proposed	11	<u>(200.0)</u>	<u>(100.0)</u>
Retained loss for the year	22	<u>(195.8)</u>	<u>(55.7)</u>

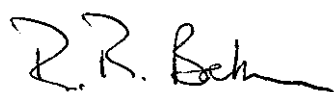
All turnover and operating profit arose from continuing activities.

The notes on pages 7 to 22 form part of these accounts.

NESTLÉ UK LTDBALANCE SHEET AT 31ST DECEMBER, 1994

	Note	<u>1994</u> £m	<u>1994</u> £m	<u>1993</u> £m	<u>1993</u> £m
<b>Fixed assets</b>					
Tangible assets	12		639.8		643.2
Investments	13		7.6		0.9
<b>Current assets</b>					
Stocks	16	222.2		194.7	
Debtors	17	235.9		217.6	
Cash at bank and in hand		<u>4.1</u>		<u>2.5</u>	
		462.2		414.8	
Creditors: amounts falling due within one year	18	<u>(994.5)</u>		<u>(772.6)</u>	
<b>Net current liabilities</b>			<u>(532.3)</u>		<u>(357.8)</u>
<b>Total assets less current liabilities</b>			115.1		286.3
Creditors: amount falling due after more than one year	19	(847.6)		(851.7)	
Provision for liabilities and charges	20	<u>(30.5)</u>		<u>(1.8)</u>	
			<u>(878.1)</u>		<u>(853.5)</u>
			<u>(763.0)</u>		<u>(567.2)</u>
<b>Capital and reserves:</b>					
Called up share capital	21		120.4		120.4
Share premium account	22		71.0		71.0
Goodwill write-off reserve	22		(1,037.8)		(1,066.3)
Profit and loss account	22		<u>83.4</u>		<u>307.7</u>
			<u>(763.0)</u>		<u>(567.2)</u>

The notes on pages 7 to 22 form part of these accounts.



R.R. BAKER  
Director

Approved by the Board on 10<sup>th</sup> May 1995

NESTLÉ UK LTDStatement of Recognised Gains and Losses for the year ended 31 December 1994

	<u>1994</u> £m	<u>1993</u> £m
Profit for the financial year	4.2	44.3
Dividends paid	<u>(200.0)</u>	<u>(100.0)</u>
Total recognised losses for the financial year	(195.8)	(55.7)
Prior period adjustment	<u>-</u>	<u>(2.2)</u>
Total recognised losses recognised since last annual report	<u>(195.8)</u>	<u>(57.9)</u>

Note of Historical Cost Profit and Loss for the year ended 31 December 1994

	<u>1994</u> £m	<u>1993</u> £m
Reported and historical cost profit on ordinary activities before taxation	<u>10.4</u>	<u>47.3</u>
Historical cost loss for the year retained after taxation and dividends	<u>(195.8)</u>	<u>(55.7)</u>

Reconciliation of Movements in Shareholders Funds for the year ended 31 December 1994

	<u>1994</u> £m	<u>1993</u> £m
Opening shareholders funds	(567.2)	(509.3)
Prior period adjustment	<u>-</u>	<u>(2.2)</u>
	(567.2)	(511.5)
Total recognised losses for the financial year	<u>(195.8)</u>	<u>(55.7)</u>
Closing shareholders funds	<u>(763.0)</u>	<u>(567.2)</u>

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS****1. ACCOUNTING POLICIES**

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts:

**Basis of Preparation:**

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

**Turnover:**

Turnover represents sales to customers at invoiced amount, excluding VAT and trade discounts on UK sales.

**Depreciation:**

Depreciation is provided to write off the cost of all tangible fixed assets, except freehold and long leasehold land, over their expected useful lives. It is calculated on a straight line basis from the date on which they are brought into use at the following rates:

Freehold Properties	2% - 4%	per annum
Long Leasehold Properties	4%	per annum
Plant and Machinery	7% - 25%	per annum

**Goodwill:**

Purchased goodwill is written off directly to reserves in the period in which the acquisition takes place. Any surplus of net assets acquired over cost of investment is credited to a capital reserve.

The estimated lifetime of goodwill acquired is assessed separately for each acquisition. Transfers are made from the goodwill write off reserve to the profit and loss account over the estimated lifetime of the goodwill.

**Investments:**

Investments are valued at cost or directors' valuation, less any provision for permanent diminution in value.

**Stocks and Work-in-Progress:**

Stocks and work-in-progress are valued at the lower of cost, including attributable overheads, and net realisable value.

**Deferred Taxation:**

Deferred taxation is accounted for in respect of timing differences between the results for taxation purposes and the results in the accounts to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.



**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**  
(continued)**1. ACCOUNTING POLICIES (continued)****Foreign Currency:**

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rates ruling at the period end. Any differences are taken to the profit and loss account.

**Capital Expenditure Grants:**

Amounts receivable in respect of capital expenditure grants for the period are credited to a deferred income account. Provisions for depreciation of fixed assets are based on gross cost but transfers are made from deferred income to the profit and loss account to produce a net charge equivalent to the depreciation of the net costs of the fixed assets after deducting capital expenditure grants.

**Raw Materials Futures 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 purchased.

**Pension Costs:**

These are charged systematically to the profit and loss account over the average remaining future service lives of employees.

**Leased Assets:**

Where assets are financed by leasing arrangements that give rights approximating to ownership ('finance leases') the assets are treated as if they had been purchased outright and depreciated over the shorter of the expected economic life of the asset and the length of the lease. A corresponding finance lease creditor is set up to reflect the leasing liability.

Lease payments are split between capital and interest components. The interest is charged in the profit and loss account and the capital element reduces the lease creditor.

All other leases are treated as 'operating leases'. Annual rentals are charged to the profit and loss account in the period in which they are incurred.

**Cashflow Statement:**

As the Company is a subsidiary undertaking of a parent resident in the European Union which publishes, in English, consolidated accounts complying with FRS 1, it is exempt from the requirement to prepare a cashflow statement.

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**  
(continued)**2. TURNOVER**

The geographical analysis of turnover by destination is as follows:

	<u>1994</u>	<u>1993</u>
	£m	£m
United Kingdom	1,466.3	1,434.9
Europe	127.0	127.3
Other	<u>150.1</u>	<u>138.0</u>
	<u>1,743.4</u>	<u>1,700.2</u>

In the opinion of the directors the Company operated in only one business segment, the manufacture and sale of food and drink products.

**3. STAFF NUMBERS AND COSTS**

The average number of persons employed by the Company during the year was as follows:

	<u>1994</u>	<u>1993</u>
	Number	Number
Production	12,884	14,272
Administration, distribution and sales	<u>3,947</u>	<u>4,536</u>
	<u>16,831</u>	<u>18,808</u>

The aggregate payroll costs of these persons were as follows:

	<u>1994</u>	<u>1993</u>
	£m	£m
Wages and salaries	266.5	301.8
Social security costs	22.9	24.9
Other pension costs	<u>15.3</u>	<u>14.3</u>
	<u>304.7</u>	<u>341.0</u>

The above costs include no amounts for redundancy.

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**4. EXCEPTIONAL ITEMS**

During the year, there were a number of reorganisation projects including the withdrawal from the canning business, rationalisation of confectionery production and streamlining of the distribution system.

These relate to continuing operations and are included under the following headings on the face of the Profit & Loss account.

	<u>1994</u>		
	<u>Cost of</u>	<u>Admin.</u>	<u>Distribution</u>
	<u>Sales</u>	<u>Expenses</u>	<u>Costs</u>
	£m	£m	£m
Provision for factory re-organisation and closure	61.4	1.1	0.1
Restructuring expenses	1.2	11.0	(2.2)
Writedown of obsolete assets	3.6	-	-
Restructuring Depots	-	-	(0.7)
Extension to long term sickness scheme	3.6	0.2	0.2
	<u>69.8</u>	<u>12.3</u>	<u>(2.6)</u>
			<u>79.5</u>

	<u>1993</u>		
	<u>Cost of</u>	<u>Admin.</u>	<u>Distribution</u>
	<u>Sales</u>	<u>Expenses</u>	<u>Costs</u>
	£m	£m	£m
Provision for factory re-organisation and closure	(1.9)	3.2	5.0
Restructuring expenses	-	(1.9)	1.6
Rationalisation of frozen food business	(0.2)	-	-
Writedown of obsolete assets	2.5	-	-
Restructuring Depots	-	-	2.8
	<u>0.4</u>	<u>1.3</u>	<u>9.4</u>
			<u>11.1</u>
Further severance costs not included in exceptional items in 1993	<u>13.0</u>	-	-
	<u>13.4</u>	<u>1.3</u>	<u>9.4</u>
			<u>24.1</u>

**5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>1994</u>	<u>1993</u>
	£m	£m
On overdue tax refunds	0.2	0.1
Other interest receivable	<u>1.2</u>	<u>3.4</u>
	<u>1.4</u>	<u>3.5</u>

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>1994</u>	<u>1993</u>
	£m	£m
On borrowings from group undertakings	53.6	79.1
Finance charges on leases	0.1	0.2
On borrowing repayable within five years otherwise than by instalments	<u>33.2</u>	<u>19.0</u>
	<u>86.9</u>	<u>98.3</u>

**7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The profit is arrived at after charging the following:

	<u>1994</u>	<u>1993</u>
	£m	£m
Depreciation - Owned Assets	78.7	70.8
- Leased Assets	<u>2.8</u>	<u>3.6</u>
	<u>81.5</u>	<u>74.4</u>
Hire of plant and machinery (including operating lease charges)	1.1	1.2
Other hire charges including operating leases	5.5	5.6
Auditors' remuneration - Audit	0.4	0.4
- Other Services	0.3	0.4
Directors' emoluments (note 8)	1.2	1.1
Loss on disposal of fixed assets	<u>1.2</u>	<u>1.8</u>

NESTLÉ UK LTDNOTES TO THE ACCOUNTS

(continued)

**8. DIRECTORS' EMOLUMENTS**

One director discharged his duties mainly outside the United Kingdom and received no emoluments in respect of services provided to the Company. The emoluments of the remaining directors excluding pension contributions were:

Chairman and highest paid director: £340,174 (1993: £326,316)

The emoluments of directors were within the following ranges:

	<u>1994</u> No.	<u>1993</u> No.
£35,001 - £40,000	1	-
£40,001 - £45,000	-	1
£45,001 - £50,000	-	3
£50,001 - £55,000	-	1
£55,001 - £60,000	2	1
£60,001 - £65,000	1	-
£65,001 - £70,000	1	-
£70,001 - £75,000	-	1
£75,001 - £80,000	1	-

**9. DIRECTORS' INTERESTS**

Mr. D. F. Harris has an interest free loan from the Company, which was made before he became a director, and which is repayable by monthly instalments.

	<u>Unexpired Term of Loan</u> <u>at 31.12.1994</u>	<u>Amount Outstanding</u> <u>at 31.12.1994</u>	<u>at 31.12.1993</u>
		£	£
D.F. Harris	5 years 9 months	13,062	14,800

The maximum outstanding during the period was the amount outstanding at 31.12.1993.

Directors with notifiable interests:

	<u>No. of £1 Loan Notes in Nestlé Holdings (UK) PLC</u> <u>1994</u>	<u>1993</u>
Mr. P.H. Blackburn	-	6,645
Mr. G. Millar	-	19,250

Mr. G. Millar had an interest free loan of £60,000 for 2 months during the year to assist him in a house move made at the request of the Company. This was not outstanding at the end of the year.

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**9. DIRECTORS' INTERESTS** (continued)

To assist Mr. D.F. Harris in a house move made at the Company's request, Nestlé UK Ltd guaranteed a bank loan for him which was taken out in October 1994 and was £385,000 at the year end. Arrangements are in place which are intended to lead to the release of the guarantee by 31st May, 1995.

To assist him in his duties, Mr. R.R. Baker has an interest bearing loan from Nestlé UK Ltd, which is repayable by monthly instalments. The Inland Revenue official interest rate is charged:

	<u>Unexpired Term of Loan</u> at 31.12.1994	<u>Amount Outstanding</u>	
		at 31.12.1994	at 31.12.1993
		£	£
R.R. Baker	3 years 9 months	20,000	-

The maximum outstanding during the period was the amount at 31.12.1994.

None of the other directors had any interests recorded in the Statutory Register at 31st December, 1994.

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax charge for the year is as follows:

	<u>1994</u> £m	<u>1993</u> £m
U.K. Corporation Tax at 33% (1993: 33%)	7.8	1.1
Share of tax charge of joint venture	(1.0)	(3.8)
Deferred tax on short term timing differences	2.2	5.9
Share of deferred tax charge of joint venture	-	0.8
	9.0	4.0
Relating to prior years	(2.8)	(1.0)
	<u>6.2</u>	<u>3.0</u>

The adjustment to prior years was due to a settlement with the Inland Revenue which led to provisions being released.

**11. DIVIDENDS**

	<u>1994</u> £m	<u>1993</u> £m
Interim paid	<u>200.0</u>	<u>100.0</u>
Dividend per share	83.1p	41.5p

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**12. TANGIBLE FIXED ASSETS**

	<u>Land &amp; buildings</u>	<u>Plant &amp; machinery</u>	<u>Payments on account</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
Cost				
At 31st December 1993	242.9	816.8	3.8	1,063.5
Additions	12.6	79.7	0.5	92.8
Disposals	(10.4)	(37.4)	-	(47.8)
Category transfers	1.2	2.6	(3.8)	-
At 31st December 1994	246.3	861.7	0.5	1,108.5
Depreciation				
At 31st December 1993	30.6	389.7	-	420.3
Charged in year	8.6	72.9	-	81.5
Disposals	(2.0)	(31.1)	-	(33.1)
At 31st December 1994	37.2	431.5	-	468.7
Net book value at 31st December 1994	209.1	430.2	0.5	639.8
Net book value at 31st December 1993	212.3	427.1	3.8	643.2

The net book value of land and buildings comprises:

	<u>1994</u>	<u>1993</u>
	£m	£m
Freehold	202.6	202.7
Long leasehold	2.7	5.6
Finance leasehold	3.8	4.0
	<u>209.1</u>	<u>212.3</u>

Tangible fixed assets include the following in respect of assets held under finance leases:

	<u>Land &amp; buildings</u>	<u>Plant &amp; machinery</u>	<u>Payments on account</u>	<u>Total</u>
	£m	£m	£m	£m
Cost	5.6	50.9	-	56.5
Accumulated Depreciation	(1.8)	(46.0)	-	(47.8)
Net book value at 31st December 1994	3.8	4.9	-	8.7
Net book value at 31st December 1993	4.0	7.6	-	11.6

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**13. INVESTMENTS**

	<u>Subsidiary Undertakings</u>	<u>Joint Venture</u>	<u>Total</u>
	£m	£m	£m
Cost or directors valuation at 31st December 1993	1.0	-	1.0
Transfers from Provisions(Note 20)	-	(1.8)	(1.8)
Share of losses of joint venture	-	(1.5)	(1.5)
Capital Contribution to CP(UK)	-	10.0	10.0
Cost or directors valuation at 31st December 1994	1.0	6.7	7.7
Provisions against investments at 31st December 1993	0.1	-	0.1
Movement during year	-	-	-
Provisions against investments at 31st December 1994	0.1	-	0.1
Net Book Value at 31st December 1994	0.9	6.7	7.6
Net Book Value at 31st December 1993	0.9	-	0.9

**14. SUBSIDIARY UNDERTAKINGS**

No consolidation of the subsidiary undertakings' accounts has been made in the accounts of the Company as it is a wholly-owned subsidiary of a company registered in England and Wales.

At 31st December 1994 the Company had the following principal subsidiary undertakings, all of which are registered in England and Wales:

<u>Name</u>	<u>Proportion of Ordinary Share Capital Owned</u>	<u>Activities</u>
Rowntree Mackintosh Ingredients Limited	100%	Dormant
Rowntree Mackintosh International Limited	100%	Dormant
Raw Products Limited	75%	Agency



**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**15. JOINT VENTURE**

The Company has a 50% interest in Cereal Partners U.K., a joint venture with a partnership between General Mills Canada Inc. and General Mills Products Corp., trading as General Mills North America Affiliates, which is involved in the manufacture and sale of cereal products. The investment in the joint venture is stated at its net asset value.

Cereal Partners U.K. is based at the following address:

1 Bridge Road,  
Welwyn Garden City,  
Herts., AL7 1RR.

**Associated Undertakings:**

The Company owns 50% of the ordinary shares in issue of Total (Investments) Ltd, a company registered in England which is primarily involved in the supply, installation, maintenance and repair of commercial refrigeration equipment.

**16. STOCKS**

	<u>1994</u>	<u>1993</u>
	£m	£m
Raw materials and consumables	94.2	65.2
Work in progress	12.7	18.1
Finished goods and goods for resale	<u>115.3</u>	<u>111.4</u>
	<u>222.2</u>	<u>194.7</u>

**17. DEBTORS**

	<u>1994</u>	<u>1993</u>
	£m	£m
Trade debtors	169.1	155.7
Amounts owed by parent and fellow subsidiary undertakings	33.1	25.0
Other debtors	18.8	23.8
Prepayments and accrued income	11.8	13.1
ACT Recoverable	<u>3.1</u>	<u>-</u>
	<u>235.9</u>	<u>217.6</u>

Included in prepayments and accrued income is an amount of £1.0 million (1993: £3.2 million) in respect of deferred tax recoverable.

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**18. CREDITORS: Amounts falling due within one year**

	<u>1994</u>	<u>1993</u>
	£m	£m
Bank loans and overdrafts	702.2	484.2
Trade creditors	26.5	61.0
Amounts owed to parent & fellow subsidiary undertakings	41.2	23.7
Amounts owed to subsidiary undertakings	9.2	9.2
Amounts owed to joint venture	23.2	20.2
Corporation Tax	6.9	1.1
Other taxes and Social Security	7.3	8.4
Other creditors	9.0	25.7
Accruals and deferred income	166.3	136.5
Obligations under finance leases (note 24)	<u>2.7</u>	<u>2.6</u>
	<u>994.5</u>	<u>772.6</u>

**19. CREDITORS: Amounts falling due after more than one year**

	<u>1994</u>	<u>1993</u>
	£m	£m
Loans from parent undertaking	840.0	840.0
Accruals and deferred income	0.7	2.1
Obligations under finance leases (note 24)	<u>6.9</u>	<u>9.6</u>
	<u>847.6</u>	<u>851.7</u>

The loans from parent group undertaking of £840 million (1993: £840 million) are due for repayment on 31st December, 1999. Interest is payable on this loan at variable market rates.

NESTLÉ UK LTDNOTES TO THE ACCOUNTS

(continued)

20. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Joint Venture</u>	<u>Rationalisation Provision</u>
At 31st December, 1993	1.8	-
Transfers	(1.8)	-
Charge for year	-	<u>30.5</u>
At 31st December, 1994	<u>-</u>	<u>30.5</u>

The joint venture represented a provision for the share of net liabilities.

Deferred taxation - at 31st December, 1994 the maximum unprovided potential liability on timing differences amounted to £86.7 million (1993: £88.2 million) made up as follows:

	<u>1994 £m</u>	<u>1993 £m</u>
The excess of net book value of the Company's assets (after deduction of the deferred income account) over the corresponding tax written down value	<u>86.7</u>	<u>88.2</u>

21. CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted and fully paid</u>	
	<u>1994 £m</u>	<u>1993 £m</u>	<u>1994 £m</u>	<u>1993 £m</u>
Ordinary shares of 50p each (320 million authorised, 240.8 million allotted and fully paid)	<u>160.0</u>	<u>160.0</u>	<u>120.4</u>	<u>120.4</u>

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**22. RESERVES**

	<u>Share Premium Account</u> £m	<u>Goodwill Write off Reserve</u> £m	<u>Profit and Loss Account</u> £m	<u>Total</u> £m
At 31st December, 1993	71.0	(1,066.3)	307.7	(687.6)
Retained loss for the year	-	-	(195.8)	(195.8)
Transfer from goodwill write off reserve to distributable reserves	-	28.5	(28.5)	-
At 31st December, 1994	<u>71.0</u>	<u>(1,037.8)</u>	<u>83.4</u>	<u>(883.4)</u>

**23. CAPITAL AND OTHER FINANCIAL COMMITMENTS**

Items for which no provision has been made in these accounts were as follows:

	<u>1994</u> £m	<u>1993</u> £m
<b>CAPITAL COMMITMENTS</b>		
Contracted	6.3	28.4
Authorised but not contracted	<u>53.6</u>	<u>62.8</u>
<b>OTHER FINANCIAL COMMITMENTS</b>		
Forward contracts for:		
Raw Materials	115.7	83.4
Foreign Currency	<u>140.1</u>	<u>66.1</u>

**NESTLÉ UK LTD****NOTES TO THE ACCOUNTS**

(continued)

**24. LEASING COMMITMENTS**

The future minimum lease payments to which the company is committed at 31st December, 1994 under finance leases are as follows:

	<u>1994</u>	<u>1993</u>
	<u>£m</u>	<u>£m</u>
Finance leases due:		
Within one year	2.7	2.6
Within two to five years inclusive	4.9	7.6
Over five years	<u>2.0</u>	<u>2.0</u>
	<u>9.6</u>	<u>12.2</u>

**COMMITMENTS UNDER OPERATING LEASES**

At 31st December, 1994 the company has annual commitments under non-cancellable operating leases as set out below:

	<u>1994</u>		<u>1993</u>	
	<u>Land and</u>	<u>Other</u>	<u>Land and</u>	<u>Other</u>
	<u>buildings</u>		<u>buildings</u>	
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Operating Leases which expire:				
Within one year	1.0	0.2	0.6	0.5
Within two to five years inclusive	1.0	0.1	2.4	0.6
After five years	<u>2.0</u>	<u>0.1</u>	<u>2.1</u>	<u>0.1</u>
	<u>4.0</u>	<u>0.4</u>	<u>5.1</u>	<u>1.2</u>

**25. CONTINGENT LIABILITIES**

Apart from indemnities given in the normal course of business totalling £14.0m (1993: £19.2m), there are no contingent liabilities at 31st December 1994 (1993: £nil).

NESTLÉ UK LTDNOTES TO THE ACCOUNTS

(continued)

**26. PENSION FUNDS****The Nestlé UK Pension Fund**

The Company operates a defined benefit pension fund, the Nestlé UK Pension Fund (NUKPF) primarily for employees of Nestlé UK Limited. The NUKPF was formed on 6 April 1994 by the merger of the Nestlé Pension Fund and the Nestlé Rowntree Pension Fund. As a result of that merger, approximately half the employee members benefit from a defined contribution underpin to their benefits. The assets of the Fund are held separately from those of the Company in an independently administered fund, invested in a wide range of stock market securities and property.

Pension costs are charged to the profit and loss account so as to spread the cost of the pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The combined Pension Cost charge for the year was £15.3 m (1993 combined: £14.3 m). The amount actually contributed to the funds during the year was £12.3 m (1993 combined: £16.1 m) and consequently the prepayment of £3.0 m in 1993 in respect of both previous funds is eliminated. The Pension Cost charge includes an allowance for the amortisation of the existing surplus as a percentage of pay over 15 years.

The most recent formal reviews of the funds' financial positions were at 31 December 1992. The assumptions which have the most significant effect on the results of review are those relating to the discount rate, the rate of dividend growth and the rates of increase in pay and pensions. It was assumed that the discount rate would be 9% per annum, that increases in pay would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum. In determining the actuarial value of the assets it was assumed that the funds' investments were realised at their market values and re-invested in a notional portfolio of the shares constituting the FT-Actuaries All Share Index and that dividend income on such a portfolio would grow at 4½% per annum.

The review showed that the market value of the combined assets of the funds was £1,078.8 million and that the actuarial value of those assets represented 125% of the value of the benefits that had accrued to members after allowing for expected future increases in pay and pensions.

**NESTLÉ UK LTD**

**NOTES TO THE ACCOUNTS**

(continued)

**27. ULTIMATE HOLDING COMPANY**

Nestlé Holdings (U.K.) PLC, which is registered in England and Wales, is the holding company for the UK group and prepares group accounts which are delivered to the Registrar of Companies for England and Wales.

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