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THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

DIRECTORS' REPORT AND ACCOUNTS
31ST DECEMBER, 1981



THE NESTLÉ COMPANY LIMITED
(formerly Findus (U.K.) Limited)

REPORT OF THE DIRECTORS

To be submitted to the Members at the ANNUAL GENERAL MEETING of Shareholders of the Company to be held at St. George's House, Croydon, Surrey, on 30th June 1982

The Directors have pleasure in submitting their Report together with the Balance Sheet of the Company at 31st December 1981 and Profit and Loss Account for the year ended 31st December 1981.

Principal Activities Prior to 1st April 1981 the Company was a holding company for the Nestlé Group's frozen-food interests in the U.K. On 1st April 1981 the Company changed its name from Findus (U.K.) Limited to The Nestlé Company Limited and acquired the business, as at 1st January 1981, of The Nestlé Company Limited, which changed its name to Nestlé Holdings (U.K.) Limited on the same day. The Company has since been engaged in the manufacture and sale of food products and associated activities.

Share Capital On the 27th March 1981 the 'D' Shares and 8% Redeemable Preference Shares were converted into Ordinary Shares of £1 each and the authorised capital of the Company was increased by £12,920,000 to £15,000,000 by the creation of an additional 12,920,000 Ordinary Shares of £1 each, ranking pari passu with the existing Ordinary Shares, all of which were issued to shareholders as a bonus issue by capitalising £12,920,000. On the 5th January 1982 the authorised capital of the Company was increased to £50,000,000 by the creation of an additional 35,000,000 Ordinary Shares, ranking pari passu with the existing Ordinary Shares. 34,477,707 of the newly-created shares were issued to Nestlé Holdings (U.K.) Limited for the purpose of satisifying the acquisition price of the undertaking and business of that company under its former name of The Nestlé Company Limited and 522,293 were issued to shareholders as a bonus isssue by capitalising £522,293.

Dividend The Directors do not recommend payment of a dividend.

Reserves Changes in the Reserves are set out on page 3 of the accounts.

Fixed Assets The changes in Fixed Assets are set out in note 4 to the accounts.

Disabled Persons It is the Company's policy, wherever reasonably practical; to employ disabled persons; to retain employees who become disabled, by redeployment and retraining; and, to ensure that disabled employees are given appropriate training to enable them to qualify for the same career development opportunities as those who are not.

Directors The Directors during 1981 were Messrs. C.L. Angst (appointed 1st April 1981), A.H. Coburn, W.A. Manahan (appointed 1st April 1981), H. Maucher, P.M. Petersen (resigned 11th May 1981), J.R. Prout (appointed 1st April 1981) and R.A. Wilson. All the Directors retire in accordance with the provisions of the Articles of Association and, being eligible, offer themselves for re-election.

Directors' Interests The need for notification by the Directors of interests in any shares or debentures of the Company's holding company has been dispensed with under Board of Trade regulations and no entries of such interests are therefore contained in the Statutory Register.

Auditors The Auditors, Messrs. Peat, Marwick, Mitchell & Co., have signified their willingness to continue in office and, in accordance with Section 14 of the Companies Act 1976, a resolution proposing their re-appointment will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

St. George's House,
Croydon, Surrey.

30th June 1982

Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

We have audited the accounts set out on pages 3 to 14 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on pages 8 and 9, give a true and fair view of the state of affairs of the company at 31st December, 1981 and of the profit and source and application of funds for the year to that date and comply with the Companies Acts 1948 to 1981.

Peat, Marwick, Mitchell & Co
PEAT, MARWICK, MITCHELL & CO

LONDON
30 June 1982

Chartered Accountants

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1981

	Note	1981 £000's	1980 £000's
TURNOVER	1(f)	368,637	-
PROFIT FOR THE YEAR BEFORE TAXATION	2	21,077	-
Taxation	3	-	-
PROFIT FOR THE YEAR AFTER TAXATION		21,077	
EXTRAORDINARY ITEMS:			
Surplus arising on revaluation of Findus Limited	16	5,038	-
Profit on repayment of loan to Nestlé Holdings (U.K.) Limited		2,209	-
PROFIT FOR THE YEAR AFTER TAXATION AND EXTRAORDINARY ITEMS		28,324	-
MOVEMENTS IN RESERVES			
Balance as at 1st January (including £138,000 Capital Reserve)		144	144
Capitalisation of reserves on issue of additional share capital (including £138,000 Capital Reserve)	7(c)	(4,938)	-
Transfer from Profit and Loss Account		28,324	
BALANCE AS AT 31ST DECEMBER		23,530	144

The notes on pages 8 to 14 form part of these accounts

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

BALANCE SHEET AT 31ST DECEMBER, 1981

	Note		1981 £000's		1980 £000's
EMPLOYMENT OF CAPITAL					
Fixed Assets	4		69,309		-
Investments in subsidiary companies			-		12,462
Other investments			-		352
Loans to fellow subsidiary Companies	12		14,018		-
			83,327		12,814
Current assets:					
Stocks and work in progress	5	62,599		-	
Current accounts with fellow subsidiary companies		20,769		-	
Taxation recoverable		98		-	
Debtors & payments in advance less provisions		48,879		-	
Cash at bank and in hand		5,978		1	
		138,323		1	
Current liabilities:					
Bank overdrafts, acceptances & loans		39,833		-	
Current accounts with fellow subsidiary companies		10,339		2,654	
Creditors & accrued charges		24,879		-	
Bills payable		425		-	
Amount due to holding company		18,393		-	
		93,869		2,654	
Net current assets/(liabilities)			44,454		(2,653)
			127,781		10,161
Loans repayable within 5 years	6	15,000		-	
Capital expenditure grants equalisation account		1,214		-	
			16,214		-
			111,567		10,161

The notes on pages 8 to 14 form part of these accounts.

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

BALANCE SHEET AT 31ST DECEMBER, 1981
(continued)

	Note	1981 £000's	1980 £000's
CAPITAL EMPLOYED			
Share capital	7	15,000	2,035
Loan capital	8	48,000	-
Share premium	7(c)	-	7,982
Reserves		23,530	144
		86,530	10,161
Loans from fellow subsidiary company	13	25,037	-
		111,567	10,161

The notes on pages 8 to 14
form part of these accounts.

) Directors

Approved by the Board 30/6/ 1982

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1981

	£000's	£000's
SOURCE OF FUNDS		
Profit before tax and extraordinary items		21,077
Adjustments for items not involving the movement of funds:		
Depreciation	2,694	
Capital expenditure grants transfer	(156)	
Loss on sale of fixed assets	44	
		2,582
TOTAL GENERATED FROM OPERATIONS		23,659
FUNDS FROM OTHER SOURCES		
Disposal of fixed assets	850	
Issue of loan capital	18,000	
Call on shareholders	45	
Proceeds of sales of investments to other group companies	17,852	
		36,747
		60,406
APPLICATION OF FUNDS		
Purchase of fixed assets	(5,619)	
Less: Capital expenditure grants receivable	18	
	(5,601)	
Net assets of trade acquired (see page 7)	(34,478)	
Decrease in medium term bank loans	(5,600)	
Repayment of loan capital	(18,659)	
		(64,338)
		(3,932)
INCREASE/(DECREASE) IN WORKING CAPITAL		
Increase in stocks	13,512	
(Decrease) in debtors	(6,060)	
(Decrease) in tax recoverable	(32)	
(Increase) in creditors	(429)	
(Increase) in bills payable	(274)	
(Increase)in group indebtedness	(7,931)	
		(1,214)
		(2,718)
MOVEMENT IN NET LIQUID FUNDS		
(Increase) in bank overdrafts and short term loans	(8,636)	
Increase in cash balances	5,918	
		(2,718)

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1981

SUMMARY OF THE EFFECTS OF THE ACQUISITION OF THE COMPANY'S TRADE
(see note 16)

NET ASSETS ACQUIRED

	£000's
Fixed Assets	67,278
Working Capital	64,927
Capital Expenditure Grants Equalisation Account	(1,352)
Taxation Recoverable	130
Medium term bank loans	(20,600)
Loans from subsidiary company	(25,037)
Loan Capital	(50,868)
	34,478

DISCHARGED BY

	£000's
Debtor to holding company (Issue of share capital in January 1982)	34,478
	34,478

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

NOTES ON THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The accounting period commenced before the appointed day for the implementation of the accounting provisions of the Companies Act 1981, and the Accounts therefore comply with Section 149A and Schedule 8A of the Companies Act 1948.

(a) The accounts have been prepared under the historical cost convention adjusted by the revaluation of properties in 1972 and 1974.

(b) Stocks and work in progress:
Stocks and work in progress have been valued at the lower of cost (including an appropriate proportion of factory overheads) and net realisable value.

(c) Deferred taxation:
To the extent that they exceed any tax losses carried forward, provision for deferred taxation is made on all short term timing differences and on all other originating timing differences, except those which can be demonstrated with reasonable probability to continue in the future.

No provision has been made in the accounts in respect of corporation tax on the capital gains which would arise on a future sale of land and buildings at the amount stated in the accounts. Certain of the land and buildings are assets on which capital gains have been rolled over. In the opinion of the directors the amount of work involved in estimating the amount of this contingent liability would not be justified as the assets are held for use within the trade.

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

NOTES ON THE ACCOUNTS
(continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Overseas currencies:
Currency balances have been translated at rates of exchange ruling at 31st December, 1981.

(e) Unrealised gains and losses:
Unrealised gains and losses on revaluations are taken to reserves.

(f) Turnover:
Turnover represents sales exclusive of V.A.T. invoiced to customers during the year.

(g) Depreciation:
No depreciation has been provided on freehold or long leasehold land.

All other assets are depreciated in annual instalments by the straight line method principally at the rates set out below:

	%
Buildings - Freehold	2
Leasehold	2
Plant and Machinery	4
Equipment	6

(h) Capital expenditure grants:
The amount receivable in respect of capital expenditure grants for the year has been credited to capital expenditure grants equalisation account. Provisions for depreciation of fixed assets are based on cost or valuation before deducting capital expenditure grants, but an amount has been transferred from the capital expenditure grants equalisation account to the credit of profit and loss account reducing the effective charge approximately to that appropriate to the net cost or valuation of the fixed assets after deducting capital expenditure grants.

(i) Raw materials futures:
The company enters the futures market in order to stabilise the long term price of its major raw materials. Profits and losses are normally taken in the year in which they arise although profit may be carried forward and set against the following year's cost of sales where it relates to that year's usage.

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

NOTES ON THE ACCOUNTS
(continued)

2. PROFIT FOR THE YEAR BEFORE TAXATION
The profit is arrived at after charging and (crediting) the following:

	1981 £000's
The emoluments of the directors of The Nestlé Company Limited for services other than as directors	173
Pension to former executive directors	4
Depreciation	2,694
Transfer from capital expenditure grants equalisation account	(156)
Loss on sale of fixed assets	44
Bank and other interest	6,939
Bank interest received	(62)
Auditors' remuneration	80
Leasing charges	525

The chairman and three directors discharged their duties mainly outside the U.K. The emoluments of the remaining directors excluding pension contributions were:	
Highest paid director	£82,428

	No.
Others:	
£0 - £ 5,000	1
£50,001 - £55,000	1
Certain employees received emoluments over £20,000 during the year:	
£20,001 - £25,000	10
£25,001 - £30,000	13
£30,001 - £35,000	2
£35,001 - £40,000	1
£50,001 - £55,000	2

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

NOTES ON THE ACCOUNTS
(continued)

3. TAXATION

No corporation tax liability arises on the profit for the year because of the availability of losses brought forward. Losses carried forward amount to £56,132,000 of which £36,715,000 is included below.
In accordance with the policy set out in note 1(c) no provision for deferred taxation is required in the accounts.

The amount of potential deferred taxation not provided for in the accounts at 31st December 1981 at the corporation tax rate of 52%, amounted to £Nil made up as follows:-

	1981 £000's
The excess of net book value of buildings, plant, machinery and equipment after deduction of capital grants equalisation account over the corresponding tax written down value.	19,092
Less Trading losses for tax purposes at 52% (gross £36,715,000)	19,092
	NIL

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

NOTES ON THE ACCOUNTS
(continued)

4. FIXED ASSETS

	Land and buildings		Plant, machinery and equipment	Total
	Freehold	Leasehold Long		
	£000's	£000's	£000's	£000's
Cost or valuation:				
Acquired as at 1st January, 1981	39,173	2,891	47,373	89,437
Additions	1,472	374	3,642	5,488
Intra-group transfers	1	65	126	192
Disposals	(246)	-	(1,658)	(1,904)
At 31st December, 1981	40,400	3,330	49,483	93,213
At cost	10,488	3,330	49,483	63,301
At professional valuation dated:				
1972	13,412	-	-	13,412
1974	16,500	-	-	16,500
Depreciation:				
Acquired as at 1st January, 1981	3,220	143	18,796	22,159
Charged in year	608	73	2,013	2,694
Intra-group transfers	-	2	59	61
Disposals	-	-	(1,010)	(1,010)
At 31st December, 1981	3,828	218	19,858	23,904
Net book amount:				
At 31st December, 1981	36,572	3,112	29,625	69,309

In the opinion of the directors no review of the 1972 and 1974 revaluations is required at present.

THE NESTLÉ COMPANY LIMITED
formerly Findus (U.K.) Limited

NOTES ON THE ACCOUNTS
(continued)

5. STOCKS AND WORK IN PROGRESS

	1981 £000's
Raw materials	22,889
Work in progress	5,156
Finished goods	34,554
	62,599

6. LOANS REPAYABLE WITHIN 5 YEARS

	1981 £000's
Bank loans repayable within 5 years but not within 1 year:	15,000

7. SHARE CAPITAL
The authorised and issued share capital of the Company was as follows:

	1981 £000's	1980 £000's
15,000,000 (1980:2,028,198) Ordinary shares of £1 each fully paid	15,000	2,028
50,002 "D" ordinary shares of £1 each, 10p paid	-	5
1,800 8% redeemable preference shares of £1 each fully paid	-	2
	15,000	2,035

During the period the following alterations in share capital took place:

a) The holding Company subscribed £45,002 in satisfaction of a final call on the "D" ordinary shares.

b) The "D" ordinary shares and 8% redeemable preference shares were converted into ordinary shares.

c) 12,920,000 ordinary shares were issued fully paid by way of capitalisation of amounts of £7,982,544 from the share premium account, £137,682 from the capital reserve and £4,799,774 from the profit and loss account.

All ordinary shares issued during the year rank pari passu with the ordinary shares previously in issue.

NOTES ON THE ACCOUNTS
(continued)

8. LOAN CAPITAL
Loan capital comprises:
NESTLE HOLDINGS (U.K.) LIMITED.
£10m 3 years loan with interest at 16.75 % per annum, repayable 3rd April 1983.
£38m with interest at LIBOR + 1/2 % per annum, repayable on demand.

9. CAPITAL COMMITMENTS
Capital commitments authorised at 31st December, 1981 amounted to £2,589,000 of which expenditure contracted amounted to £782,000.

10. LEASING COMMITMENTS
There are commitments in respect of leasing payments amounting to £2,056,000.

11. CONTINGENT LIABILITIES
Apart from guarantees given in the normal course of business, there are no contingent liabilities at 31st December 1981.

12. LOANS TO FELLOW SUBSIDIARY COMPANIES
(A) £13,950,000 to Findus Limited
(B) £68,000 to Robert A. Jewison Limited
Both loans are interest free for an indefinite period.

13. LOANS FROM FELLOW SUBSIDIARY COMPANY
(a)£10 million loan with interest linked to LIBOR, repayable between 1985 and 1988.
(b)£15 million loan, with interest at 12.1% per annum, repayable between 1984 and 1985.

14. PENSION FUND
The directors have been advised by the independent actuaries who carried out a valuation at 31st December 1978 that the present contribution rate of 20 per cent should be adequate (on the basis of the assumptions used in the valuation) to cover the existing unfunded liability for completed service (as computed in accordance with the pension fund rules) within the subsequent nine years and to cover the liability in respect of future service (computed as aforesaid).

15. V.A.T. GROUP REGISTRATION
The company is a member of a group for the purposes of accounting to Customs and Excise for V.A.T., and as such is contingently liable on a continuing basis in respect of any amount of unpaid V.A.T. of that group.

16. REORGANISATION
At 1st January 1981 the Company acquired the net trading assets of The Nestlé Company Ltd (which on 1st April 1981 changed its name to Nestlé Holdings (U.K.) Ltd.) and on 1st April 1981 changed its name from Findus (U.K.) Ltd. to The Nestlé Company Ltd. In addition its investment in Findus Ltd was revalued at 1st January 1981 and sold to Nestlé Holdings (U.K.) Ltd.

17. ULTIMATE HOLDING COMPANY
The company's ultimate holding company is Nestlé S.A. which is incorporated in Switzerland.