Proactiv Skin Health Limited

Annual report and financial statements

Registered number 3307025

31 December 2017

Contents

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2017.

Principal activity

The principal activity of the company during the year was the provision of sales and support services for the products sold and distributed by the company in the UK and Ireland.

Political and Charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

Dividends

The directors do not recommend the payment of a final dividend for the year *(2016 £nil).*

Directors

The directors who held office during the year were as follows:

Mr P J B Haslam
Mr P F Streit
Mr B F W Hallin
Mr S C Raetzman

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small Companies Note

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006.

The directors have taken advantage of the small companies exemption provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

Auditor

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

By order of the board

PJB Ha

Mr P J B Haslam
Director

1st Floor
101 St. Martin's Lane
London WC2N 4AZ

21 . JUNE 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 estimates that are reasonable and prudent; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROACTIV SKIN HEALTH LIMITED

Opinion

We have audited the financial statements of Proactiv Skin Health Limited ("the company") for the year ended 31 December 2017, which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or

- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

David Burridge

David Burridge (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
WD17 1DE
United Kingdom

29 June 2018

Profit and Loss Account and Other Comprehensive Income

for year ended 31 December 2017

	Note	2017	2016
		£000	£000
Turnover	2	**9,564**	10,798
Cost of sales		**(6,555)**	(7,679)
Gross profit		**3,009**	3,119
Administrative expenses		**(3,436)**	(2,090)
Operating profit		**(427)**	1,029
Other Income	3	**865**	-
Profit before taxation	4	**438**	1,029
Tax on profit	8	**(166)**	-
Profit for the financial year		**272**	1,029
Other comprehensive income		-	-
Total comprehensive income for the financial year		**272**	1,029

The notes on pages 10 to 20 form part of these financial statements.

Balance Sheet
at 31 December 2017

	Note	2017 £000	£000	2016 £000	£000
Fixed assets					
Tangible assets	*9*		335		140
Current assets					
Stocks	*10*	143		107	
Debtors	*11*	3,159		1,875	
Cash at bank and in hand	*12*	1,132		783	
		4,434		2,765	
Creditors: amounts falling due within one year	*13*	(2,914)		(1,322)	
Net current assets			1,520		1,443
Net Assets			1,855		1,583
Capital and reserves					
Called up share capital	*14*		-		-
Share premium account			12,779		12,779
Profit and loss account			(10,924)		(11,196)
Shareholders' funds			1,855		1,583

These financial statements were approved by the board of directors on 27 JUNE 2018 and were signed on its behalf by:

PJB Haslam

Mr P J B Haslam
Director

Company registered number: 3307025

The notes on pages 10 to 20 form part of these financial statements.

Statement of Changes in Equity

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2016	-	12,779	(12,225)	554
Total comprehensive income for the period				
Profit for the year	-	-	1,029	1,029
Total comprehensive income for the period	-	-	1,029	1,029
Balance at 31 December 2016	**-**	**12,779**	**(11,196)**	**1,583**

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2017	-	12,779	(11,196)	1,583
Total comprehensive income for the period				
Profit for the year	-	-	272	272
Total comprehensive income for the period	-	-	272	272
Balance at 31 December 2017	**-**	**12,779**	**(10,924)**	**1,855**

The notes on pages 10 to 20 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Proactiv Skin Health Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 3307025 and the registered address is First Floor, 101 St Martin's Lane, London, WC2N 4AZ.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Nestlé SA includes the Company in its consolidated financial statements. The consolidated financial statements of Nestlé are available to the public and may be obtained from http://www.nestle.com/investors/annual-report. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Nestlé SA include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. The financial statements have been prepared in compliance with Financial Reporting Standard 102, as it applies to the financial statements of the Company for the year ended 31 December 2017. The financial statements are prepared in sterling which is the functional currency of the company.

1.2 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Loans receivable and payable are measured initially at fair value, net of attributable transaction costs, and are measured subsequently at amortised cost using the effective interest method less any impairment. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

• Tenant's improvements	Over the period of the lease
• Computer equipment	3 years
• Fixtures and fittings	3 years
• Other fixed assets	3 years
• Software	Over the period of the licence

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.8 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- The Company has transferred the significant risks and rewards of ownership to the buyer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under the transaction; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

1.9 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

	2017	2016
	£000	£000
United Kingdom	**9,359**	10,533
Rest of Europe	**205**	265
	9,564	10,798

3 Other income

	2017	2016
	£000	£000
Profit on the sale of EPG number	**865**	-

4 Other operating income

	2017	2016
	£000	£000
Depreciation of tangible fixed assets	**124**	54
Exchange differences	**6**	2
Other operating lease rentals	**135**	134
Defined contribution pension cost	**41**	40

5 Expenses and auditor's remuneration

Included in profit/loss are the following:

Auditor's remuneration:

	2017	2016
	£000	£000
Audit of these financial statements	**33**	33

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2017	2016
Staff	**24**	23

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	**1,570**	1,517
Social security costs	**192**	187
Contributions to defined contribution plans	**41**	40
	1,803	1,744

7 Directors' remuneration

	2017	2016
	£000	£000
Directors' remuneration	**430**	309
Company contributions to money purchase pension plans	**10**	7
	440	316

The value of the company's contributions paid to a Money purchase pension scheme in respect of the highest paid director amounted to £6,000 (2016 - £6,000)

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	£000	2016 £000	£000
Current tax				
Current tax on income for the period	-		-	
Current tax on capital for the period	166			
Total current tax		166		-
Deferred tax				
Origination and reversal of timing differences	-		-	
Change in tax rate	-		-	
Total deferred tax		-		-
Total tax		166		-

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the financial year	272	1,029
Total tax expense	166	-
Profit before taxation	438	1,029
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	84	206
Non-deductible expenses	-	-
Tax on capital	166	-
Recognition of previously unrecognised tax losses	(84)	(206)
Total tax expense included in profit or loss	166	-

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The company has an unrecognised deferred tax asset at 31 December 2017 of £1,173,000 which has been calculated based on these rates.

Notes *(continued)*

9 Tangible fixed assets

	Tenant's Improvements £000	Assets under Construction £000	Fixtures & fittings £000	Office Equipment £000	Computer Equipment £000	Total £000
Cost						
Balancc at 1 January 2017	159	15	33	2	168	377
Additions	-	228	-	-	91	319
Transfers	-	(243)	-	-	243	-
Balance at 31 December 2017	**159**	-	**33**	**2**	**502**	**696**
Depreciation and impairment						
Balance at 1 January 2017	109	-	31	1	96	237
Depreciation charge for the year	21	-	1	1	101	124
Disposals	-	-	-	-	-	-
Balance at 31 December 2017	**130**	-	**32**	**2**	**197**	**361**
Net book value						
At 1 January 2017	50	15	2	1	72	140
At 31 December 2017	**29**	-	**1**	-	**305**	**335**

10 Stocks

	2017	2016
	£000	£000
Finished goods	**143**	107
	143	107

11 Debtors

	2017 £000	2016 £000
Trade debtors	1,714	1,111
Amounts owed by group undertakings	1,108	390
Other debtors	139	139
Prepayments and accrued income	198	235
	3,159	1,875

Notes *(continued)*

12 Cash and cash equivalents/ bank overdrafts

	2017	2016
	£000	£000
Cash at bank and in hand	**1,132**	783

13 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	314	377
Amounts owed to group undertakings	1,125	-
Taxation and social security	657	332
Other creditors	140	17
Accruals and deferred income	678	596
	2,914	1,322

14 Capital and reserves

Share capital

	2017	2016
	£	£
Allotted, called up and fully paid		
101 ordinary shares of £1 each	**101**	101
	101	101

15 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £41,000 (2016: £40,000)

Notes *(continued)*

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	**135**	135
Between one and five years	**28**	163
More than five years	**-**	-
	163	298

During the year £135,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £135,000).

17 Related parties

	Debtors outstanding 2017 £000	2016 £000	Creditors outstanding 2017 £000	2016 £000
Parent	**170**	140	**1,295**	-
Other related parties	**1,108**	250	**-**	-
	1,278	390	**1,295**	-

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Proactiv Skin Health Holding Europe AB. The ultimate controlling party is Nestlé SA.

The largest group in which the results of the Company are consolidated is that headed by Nestlé SA, Avenue Nestlé 55, 1800 Vevey, Switzerland. The consolidated financial statements of these groups are available to the public from http://www.nestle.com/investors/annual-report.

Notes *(continued)*

19 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have had the most significant effects on the amounts recognised in the financial statements.

Taxation

Proactiv Skin Health Limited has unrecognised gross tax losses of £10,087,000 to be carried forward to future periods.

Sales Return Provision

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The recording of the sales return provision is an area which requires management estimation.

20 Post Balance Sheet Event

On 23 January 2018 the parent company Proactiv Skin Health Europe AB merged up to Proactiv Skin Health Holding Europe AB.