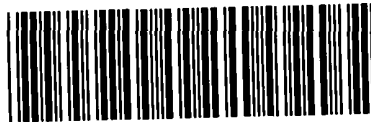


VITAFLO (INTERNATIONAL) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

TUESDAY



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COMPANIES HOUSE

VITAFLO (INTERNATIONAL) LIMITED

COMPANY INFORMATION

Directors

C F Charlesworth
M O'Donnell

Registered number

03380926

Registered office

Suite 1.11, South Harrington Building
182 Sefton Street, Brunswick Business Park
Liverpool
L3 4BQ

VITAFLO (INTERNATIONAL) LIMITED

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VITAFLO (INTERNATIONAL) LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors present their Strategic report for the year ended 31 December 2017.

Business review

The performance achieved during the year is set out in the Profit and Loss account on page 7.

Turnover increased year on year by 12.8% (2016 - 10.6% increase).

The results of the Company show a pre-tax profit of £7,574,000 (2016 - £9,666,000) for the year and turnover of £38,017,000 (2016 - £33,702,000).

The Company has net current assets of £5,666,000 (2016 - £8,583,000).

Principal risks and uncertainties

The management of the business of the Company and the execution of its strategy are subject to a number of risks and uncertainties, including the potential impact of Brexit (page 2), a difficult economic environment, a strong competitive environment, currency fluctuations, further trade consolidation, product innovation, employee retention and volatility in input costs.

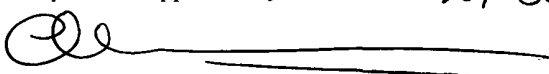
The directors of the Company are aware of these risks and strategic decisions are made to manage these risks appropriately. These will include monitoring the performance of key brands, review of costs and the credit exposure to customers. The decision-making process and the assessment of business performance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

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

Financial key performance indicators

The directors consider turnover and the control of costs as key to the success of the Company. Revenue growth, cost levels and overall profitability are measured on a frequent basis against both short and long term target expectations. All metrics in 2017 are in line with planned performance.

This report was approved by the board on 27 June 2018 and signed on its behalf.


C F Charlesworth
Director

VITAFLO (INTERNATIONAL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

Principal activity

The principal activities of the Company in the year under review were that of the development, manufacture and distribution of clinical nutritional products for the dietary management of various clinical conditions.

Results and dividends

The profit for the year, after taxation, amounted to £6,356,000 (2016 - £8,339,000).

Interim dividends of £8,339,000 were paid during the year (2016 - £16,215,000), and the directors have not proposed a final dividend in respect of the current financial year (2016 - £NIL).

Impact of Brexit

On 29 March 2017, the UK government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (the "EU"). There is an initial two-year timeframe for the UK and the EU to reach an agreement on the withdrawal and the future UK and EU relationship, although this timeframe can be extended.

Following the UK referendum vote to leave the EU in June 2016, the value of sterling weakened against major currencies, resulting in an adverse foreign exchange impact, particularly on purchases from the Eurozone.

One year on from the decision, there is still significant uncertainty about the withdrawal process, its timeframe and the outcome of the negotiations about the future arrangements between the UK and the EU. As a result of this uncertainty, the performance of the Company may be adversely affected.

The process and the eventual outcome of the negotiations will also introduce risk exposures to the economy as a whole, to which the performance of the Company is inherently linked. In the short term there is some exposure to an upturn in inflation connected to the weakened sterling. The inflationary impact has begun to be seen in 2017. The medium to long term exposures are currently uncertain and will depend on the outcome of exit negotiations in the next year.

Directors

The directors who served during the year were:

C F Charlesworth
M O'Donnell

Environmental matters

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

Research and development activities

Research and Development (R&D) activities within the company include the development of new clinical nutrition products in the dietary management of inborn errors of metabolism and certain specific diseases as well as in the treatment of disease related malnutrition.

VITAFLO (INTERNATIONAL) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Employee involvement

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

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

Occupational Health and Safety continued to receive the same high profile in 2017 with a commitment across all areas of the business to sustain the continual improvement in performance. Proactive preventative Occupational Health and Safety systems auditing continues and demonstrates increasing performance and the development of plans to continue with continual increase in performance.

Disclosure of information to auditor

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

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

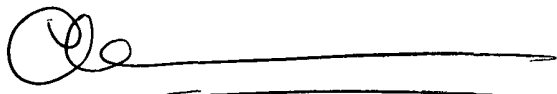
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

Persuant to section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 27 June 2018 and signed on its behalf.



C F Charlesworth
Director

VITAFLO (INTERNATIONAL) LIMITED

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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 a 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

VITAFLO (INTERNATIONAL) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITAFLO (INTERNATIONAL) LIMITED

Opinion

We have audited the financial statements of Vitaflo (International) Limited ("the Company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, 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, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of 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.

Other information

The directors are responsible for the other information, which comprises the Strategic Report and Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion, those reports have 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.

We have nothing to report in these respects.

VITAFLO (INTERNATIONAL) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITAFLO (INTERNATIONAL) LIMITED

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 the 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.



Carla Kennaugh (Senior Statutory Auditor)

for and on behalf of

KPMG LLP, Statutory Auditor

Chartered Accountants

8 Princes Parade

Liverpool, L3 1QH

Date: 29 JUNE 2018

VITAFLO (INTERNATIONAL) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Turnover		38,017	33,702
Cost of sales		(22,456)	(19,036)
Gross profit		<u>15,561</u>	<u>14,666</u>
Administrative expenses		(9,472)	(8,114)
Operating profit	3	<u>6,089</u>	<u>6,552</u>
Income from shares in group undertakings		1,492	3,097
Interest receivable and similar income	7	-	17
Interest payable and similar expenses	8	(7)	-
Profit before tax		<u>7,574</u>	<u>9,666</u>
Tax on profit	9	(1,218)	(1,327)
Profit for the financial year		<u><u>6,356</u></u>	<u><u>8,339</u></u>

The notes on pages 10 to 24 form part of these financial statements.

There were no recognised gains and losses for 2017 or 2016 other than those included in the Profit and Loss account above. Accordingly no Statement of other comprehensive income has been presented.


VITAFLO (INTERNATIONAL) LIMITED
REGISTERED NUMBER: 03380926

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	11	1,475	541
Investments	12	27	27
		<u>1,502</u>	<u>568</u>
Current assets			
Stocks	13	11,126	5,794
Debtors: amounts falling due within one year	14	10,453	10,392
Cash at bank and in hand	15	2,508	1,368
		<u>24,087</u>	<u>17,554</u>
Creditors: amounts falling due within one year	16	(18,421)	(8,971)
Net current assets		<u>5,666</u>	<u>8,583</u>
Total assets less current liabilities		<u>7,168</u>	<u>9,151</u>
Net assets		<u><u>7,168</u></u>	<u><u>9,151</u></u>
Capital and reserves			
Called up share capital	19	625	625
Share premium account		17	17
Capital redemption reserve		170	170
Profit and loss account		6,356	8,339
		<u>7,168</u>	<u>9,151</u>

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

27 June 2018.



C F Charlesworth
Director

The notes on pages 10 to 24 form part of these financial statements.

VITAFLO (INTERNATIONAL) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	625	17	170	8,339	9,151
Profit for the year	-	-	-	6,356	6,356
Dividends: Equity capital	-	-	-	(8,339)	(8,339)
At 31 December 2017	625	17	170	6,356	7,168

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2016	625	17	170	16,215	17,027
Profit for the year	-	-	-	8,339	8,339
Dividends: Equity capital	-	-	-	(16,215)	(16,215)
At 31 December 2016	625	17	170	8,339	9,151

The notes on pages 10 to 24 form part of these financial statements.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

VitaFlo (International) Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2015 and effective immediately have been applied.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare and deliver group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company's ultimate parent undertaking, Nestlé S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Nestlé S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Nestlé Headquarters, CH1800, Vevey, Switzerland.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 1 to 3.

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

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Revenue

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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- 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.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery	- 15%
Fixtures & fittings	- 15 - 20%
Computer equipment	- 25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss account.

1.6 Operating leases

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

Lease incentives received are recognised in the Profit and Loss account as an integral part of the total lease expense.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.11 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and Loss account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

1.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss account within 'other operating income'.

1.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss account when they fall due. 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.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.17 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Turnover

The whole of the turnover is attributable to the principal business activity.

The directors believe that it would be seriously prejudicial to the interests of the Company to disclose the geographical split of turnover.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Operating profit

The operating profit is stated after charging:

	2017	2016
	£000	£000
Depreciation of tangible fixed assets	223	239
Exchange differences	242	(162)
Operating lease rentals	585	586
	<u> </u>	<u> </u>

4. Auditor's remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017	2016
	£000	£000
Fees for the audit of the Company	38	34
	<u> </u>	<u> </u>
	<u>38</u>	<u>34</u>

The value of non-audit services for the year was £NIL (2016 - £NIL).

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£000	£000
Wages and salaries	7,948	6,715
Social security costs	967	806
Cost of defined contribution pension scheme	410	248
	<u>9,325</u>	<u>7,769</u>

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

	2017	2016
	No.	No.
Production	47	45
Research & Development	42	36
Marketing	58	54
Administration	16	16
Directors	2	2
	<u>165</u>	<u>153</u>

6. Directors' remuneration

	2017	2016
	£000	£000
Directors' emoluments	563	366
Company contributions to defined contribution pension schemes	19	12
	<u>582</u>	<u>378</u>

During the year retirement benefits were accruing to 2 directors (2016 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £284,000 (2016 - £217,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,000 (2016 - £7,000).

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. Interest receivable

	2017 £000	2016 £000
Other interest receivable	-	17
	<u>-</u>	<u>17</u>

The total of £NIL (2016 - £17,000) is wholly in respect of group cash pooling arrangements.

8. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	7	-
	<u>7</u>	<u>-</u>

The total of £7,000 (2016 - £NIL) is wholly in respect of group cash pooling arrangements.

9. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	1,200	1,359
Adjustments in respect of previous periods	15	9
Total current tax	<u>1,215</u>	<u>1,368</u>
Deferred tax		
Origination and reversal of timing differences	(1)	(26)
Changes to tax rates	3	4
Deferred tax relating to prior years	1	(19)
Total deferred tax	<u>3</u>	<u>(41)</u>
Taxation on profit on ordinary activities	<u>1,218</u>	<u>1,327</u>

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	7,574	9,666
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	1,458	1,933
Effects of:		
Expenses not deductible for tax purposes	28	20
Adjustments to tax charge in respect of prior periods	16	(10)
Non-taxable income	(287)	(619)
Effect of change of tax rate	3	3
Total tax charge for the year	1,218	1,327

Factors that may affect future tax charges

The main rate of UK corporation tax is 19% effective from 1 April 2017. Legislation, now substantively enacted, to further reduce the main rate of corporation tax from 19% to 17% with effect from 1 April 2020, was included in Finance (No. 2) Act 2015 and Finance Act 2016. The effect of the rate reductions on the deferred tax balances as at 31 December 2017 has been considered in calculating the figures above.

10. Dividends

	2017 £000	2016 £000
Interim dividend paid to members	8,339	16,215
	8,339	16,215

VITAFLO (INTERNATIONAL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Tangible fixed assets

	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2017	470	1,188	458	2,116
Additions	754	341	62	1,157
At 31 December 2017	1,224	1,529	520	3,273
Depreciation				
At 1 January 2017	228	988	359	1,575
Charge for the year on owned assets	83	86	54	223
At 31 December 2017	311	1,074	413	1,798
Net book value				
At 31 December 2017	913	455	107	1,475
At 31 December 2016	242	200	99	541

12. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2017	27
At 31 December 2017	27
Net book value	
At 31 December 2017	27
At 31 December 2016	27

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
VitaFlo France SARL	Ordinary	100 %	Distribution of clinical products
VitaFlo Limited	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/(loss) £000
VitaFlo France SARL	3,929	2,996
VitaFlo Limited	20	-
	<u>3,949</u>	<u>2,996</u>

13. Stocks

	2017 £000	2016 £000
Raw materials and consumables	5,123	1,785
Work in progress	591	390
Finished goods and goods for resale	5,412	3,619
	<u>11,126</u>	<u>5,794</u>

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. Debtors

	2017 £000	2016 £000
Trade debtors	5,534	4,859
Amounts owed by group undertakings	2,931	4,201
Other debtors	1,279	846
Prepayments and accrued income	626	400
Deferred taxation	83	86
	<u>10,453</u>	<u>10,392</u>

Amounts owed by group undertakings include £NIL (2016 - £1,899,000) in respect of group cash pooling arrangements. All amounts included within debtors are expected to be recovered within one year.

15. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	2,508	1,368
	<u>2,508</u>	<u>1,368</u>

16. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	4,976	3,511
Amounts owed to group undertakings	8,453	819
Corporation tax	1,200	1,359
Other taxation and social security	346	312
Other creditors	587	628
Accruals and deferred income	2,859	2,342
	<u>18,421</u>	<u>8,971</u>

Amounts owed to group undertakings include £7,872,000 (2016 - £NIL) in respect of group cash pooling arrangements.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Financial instruments

	2017 £000	2016 £000
Financial assets		
Cash and cash equivalents	2,508	1,368
Financial assets measured at amortised cost	9,744	9,906
	<u>12,252</u>	<u>11,274</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(16,875)	(7,300)
	<u>(16,875)</u>	<u>(7,300)</u>

Financial assets measured at amortised cost comprise of trade and other debtors.

Financial liabilities measured at amortised cost comprise of trade and other creditors.

18. Deferred taxation

	2017 £000	2016 £000
At beginning of year	86	45
(Charged)/ credited to the profit or loss	(3)	41
At end of year	<u>83</u>	<u>86</u>

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	20	46
Other timing differences	63	40
	<u>83</u>	<u>86</u>

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
625,379 Ordinary shares of £1 each	625	625

20. Pension commitments

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £410,000 (2016 - £248,000).

Contributions amounting to £NIL (2016 - £NIL) were payable to the scheme at the year end and are included in creditors.

21. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	558	365
Later than 1 year and not later than 5 years	926	915
	<u>1,484</u>	<u>1,280</u>

22. Ultimate parent undertaking and controlling party

Nestlé UK Ltd, which is registered in England and Wales, is the Company's immediate parent company.

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