DKSH Great Britain Limited

Report and Financial Statements

31 December 2013

Directors
R E Straughan
S C Heuer
T H D Sul

Secretary
Temple Secretarial Limited

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
16 Old Bailey
London EC4M 7EG

Strategic report

Principal activities

DKSH Great Britain is the UK subsidiary of DKSH Holdings Limited and its principal activity is distributor of materials for the Food, Personal Care, Pharma and Special Chemicals industries.

DKSH Holdings Limited, the ultimate parent company headquartered in Switzerland, is the No. 1 Market Expansion Services Group. DKSH helps companies to grow their business in new and existing markets. Our clients wish to sell products, and our customers look to buy or to resell clients' products. We expand their access to knowledge, their sourcing base, their revenue opportunities, and their market shares. Providing business partners with a comprehensive package of services to reach their individual goals is what we call Market Expansion Services – a professional approach to effectively outsourcing specialized business functions.

Results and dividends

The loss for the year after taxation amounted to £1,023,148 (2012 – loss of £492,050). The directors do not recommend a final dividend (2012 – £nil).

The key performance indicators for 2013 and 2012 are as following:

	2013	2012
Days sales in receivables	52	48
Days to sell inventory	153	90
Days trade payables	20	18
Return on net operating capital	-9%	-16%

The days to sell inventory increased in 2013 due to the increase on stock level in November and December 2013 for the Seafood business. The goods had to be ordered in 2013 because the Import Duty rate was due to increase in 2014.

The return on net operating capital (RONOC) reached -8.44%, calculated as EBIT as a percentage of net operating capital. The negative ratio is due to the negative EBIT in 2013 and an increase in net operating capital (due to the increase on inventory above).

Review of the business

During 2013 the Company made a loss, principally as a result of the loss of a supplier, transfer of customer business overseas and a number of one time effects related to stock provisions and adjustments.

The Business Line Food and Beverage Ingredients (FBI) includes both Seafood and Food Ingredients. The operation dealing with Food Ingredients performed poorly due to slow activity across market applications and the loss of a significant client. Seafood sales were below expectations and as a result the business was re-organised to reduce costs and to better serve its markets. By year end progress was made although this did result in an increased year end stock balance as material was required to service additional business for the start of 2014. The Business Line Specialty Chemicals (SCI) showed underlying growth and a strong development pipeline to partially offset the reduction in margin associated with the transfer of customer business to other DKSH country locations and the effect of a client moving to direct business with customers. The Business Line Personal Care Industry (PCI) showed modest growth and increased sales resources were invested to support this positive trend in the UK which is a key market for this industry. The Business Line Pharmaceutical Industry (PHI) experienced a slight decline and will focus on implementing a new pan-European strategy to deliver growth in the UK and Ireland, which is a large market for pharmaceutical production.

Strategic report (continued)

The Company is expected to grow in 2014 and move towards profitability. The focus remains on increasing market presence through increasing sales from existing customers and increasing the overall customer base. Delivering current projects is important for 2014 and building the pipeline will have a strong impact for 2015 and beyond. Tighter control of stock management is a major objective of the year due to the accumulation of slow moving stock and write downs resulting from purchases from previous years. The objective remains to grow organically and to benefit from any complementary acquisitions by the DKSH Group.

Principal risks and uncertainties

The directors consider the principal risks and uncertainties facing the Company to be exposure to foreign exchange rate movements which affect the margin earned by the Company. The Company seeks to manage this risk through the use of forward exchange contracts. There is also a risk faced from the possibility of redundant stock and the associated write-offs. Management has introduced more rigorous stock control procedures to reduce this potential risk going forward.

Financial instruments

The Company's financial instruments comprise cash, intercompany creditors and other items such as trade debtors and creditors that arise directly from its operations. Derivative instruments in the form of forward contracts are held to manage foreign exchange risk as noted above. The DKSH group manages its liquidity and cash flow risk through the use of its central finance centre in Singapore, borrowing as and when required. The Company monitors credit risk through regular monitoring of amounts outstanding for both time and credit limits.

On behalf of the Board

R E Straughan
Director

16 June 2014

Registered No. 00287620

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Going concern

The financial statements have been prepared on the going concern basis because the ultimate parent undertaking has given the necessary assurances that sufficient resources will be made available, so that the Company can meet its liabilities as and when they fall due, for at least twelve months from the date of approval of these financial statements.

Directors

The directors who served the Company during the year were as follows:

G Tsering (resigned 17 May 2013)
R E Straughan
T H D Sul
S C Heuer

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

R E Straughan
Director

16 June 2014

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of DKSH Great Britain Limited

We have audited the financial statements of DKSH Great Britain Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of DKSH Great Britain Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

J I Gordon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
19 June 2014

Profit and loss account

for the year ended 31 December 2013

	Notes	2013 £	Restated 2012 £
Turnover	2	17,702,663	19,947,914
Cost of sales		(16,231,513)	(17,728,317)
Gross profit		1,471,150	2,219,597
Administrative expenses		(2,377,170)	(2,577,334)
Operating loss	3	(906,020)	(357,737)
Interest payable and similar charges	6	(117,128)	(134,313)
Loss on ordinary activities before taxation		(1,023,148)	(492,050)
Tax	7	–	–
Loss for the financial year	15	(1,023,148)	(492,050)

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the loss attributable to the shareholders of the Company of £1,023,148 in the year ended 31 December 2013 (2012 – loss of £492,050).

Balance sheet

at 31 December 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangible assets	9	112,825	150,938
Current assets			
Stocks	10	6,807,474	4,391,173
Debtors	11	2,818,993	2,748,195
Cash at bank and in hand		561,865	390,930
		10,188,332	7,530,298
Creditors: amounts falling due within one year	12	(10,492,769)	(6,849,700)
Net current (liabilities) / assets		(304,437)	680,598
Net (liabilities) / assets		(191,612)	831,536
Capital and reserves			
Called up share capital	14	375,000	375,000
Profit and loss account	15	(566,612)	456,536
Shareholders' funds	16	(191,612)	831,536

The financial statements were approved by the board on 16 June 2014 and signed on its behalf by

R E Straughan

Director

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Prior year restatement

The comparative amounts have been restated to reclassify £707,862 from Administrative Expenses to Cost of Sales, according to the Company's criteria for allocation of costs. The restatement had no impact on the profit for the year ended 31 December 2012.

Going concern

The financial statements have been prepared on the going concern basis because the ultimate parent undertaking has given the necessary assurances that sufficient resources will be made available, so that the Company can meet its liabilities as and when they fall due, for at least twelve months from the date of approval of these financial statements.

Statement of cash flows

The Company is exempt from the requirement of FRS 1 (revised 1996) to prepare a statement of cash flows on the grounds that it is a wholly owned subsidiary undertaking of DKSH Holdings Limited, and is included in its publicly available group financial statements.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided on a straight line basis so as to write off the cost of tangible fixed assets over their expected useful lives at the following annual rates:

Leasehold improvements	–	13 1/3%
Computer hardware	–	33 1/3%
Computer software	–	33 1/3%
Furniture and equipment	–	20%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks, all of which are goods held for resale, are stated at the lower of weighted average cost and net realisable value.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leasing and hire purchase commitments

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

Contributions payable under defined contribution schemes are charged to the profit and loss account in the period in which they fall due.

2. Turnover

Turnover represents the invoiced amount of goods, net of value added tax. All turnover and profit before taxation is derived from the Company's principal activity of specialist chemical distributors. Turnover is recognised when goods are delivered to customers. Turnover is derived from the following countries:

	2013	*2012*
	%	*%*
United Kingdom	78	82
Ireland	12	9
Rest of world	10	9

3. Operating Loss

This is stated after charging/(crediting):

			2013	*2012*
			£	*£*
Auditor's remuneration	–	audit	12,848	11,500
	–	tax services	-	12,840
Depreciation and amortisation of owned fixed assets			38,113	62,347
Operating lease rentals	–	land and buildings	120,251	119,968
	–	other	5,725	5,725
Foreign exchange loss/(gain)			144,158	226,987

Notes to the financial statements

at 31 December 2013

4. Directors' remuneration

	2013	*2012*
	£	*£*
Remuneration	141,454	130,100
Company contributions paid to defined contribution pension schemes	10,400	4,853
Members of defined contribution pension schemes	1	1

5. Staff costs

	2013	*2012*
	£	*£*
Wages and salaries	1,187,702	1,161,596
Social security costs	129,049	113,420
Other pension costs	73,528	74,398
	1,390,279	1,349,414

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Administration	5	5
Trading	15	16
	20	21

6. Interest payable and similar charges

	2013	*2012*
	£	*£*
Payable to group companies	117,128	134,016
Bank interest	–	297
	117,128	134,313

7. Tax

(a) Tax on loss on ordinary activities

The tax on loss is made up as follows:

	2013	*2012*
	£	*£*
Current tax:		
UK corporation tax on the loss for the year	–	–
Tax on loss on ordinary activities (note 7(b))	–	–

Notes to the financial statements

at 31 December 2013

(b) Factors affecting tax on the loss for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013	*2012*
	£	*£*
Loss on ordinary activities before tax	(1,023,148)	(492,050)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	(237,882)	(120,552)
Effects of:		
Expenses not deductible for tax purposes	1,187	8,733
Capital allowances in advance of depreciation and short term timing differences	2,610	(4,475)
Unrelieved tax losses	234,085	116,294
Current tax for the year (note 7(a))	–	–

(c) Deferred tax

The gross amount of tax losses available for carry forward amount to £1,734,021 (2012 – £727,211) and the gross fixed asset timing difference amounts to £362 (2012 – £45,594). These have not been recognised as a deferred tax asset as there is currently no persuasive evidence that there will be suitable taxable profits against which these losses may be offset.

(d) Factors affecting future tax charge

The main rate of UK Corporation tax was reduced from 24% to 23% on 1 April 2013.

Further reductions were substantively enacted on 2 July 2013, resulting in a reduction of the main rate of UK corporation tax to 21% on 1 April 2014, and then 20% on 1 April 2015. The reduction in tax rates will impact future tax charges.

8. Dividends

Equity – ordinary	*2013*	*2012*
	£	*£*
Final dividend proposed: £nil (2012 – £nil) per £1 share	–	–

Notes to the financial statements

at 31 December 2013

9. Fixed assets

	Leasehold improve-ments	*Computer hardware*	*Furniture and equipment*	*Computer software*	*Total*
	£	*£*	*£*	*£*	*£*
Cost:					
At 1 January 2013	172,769	46,134	98,686	145,110	462,699
Disposals	–	(18,694)	(8,118)	(4,979)	(31,791)
At 31 December 2013	172,769	27,440	90,568	140,131	430,908
Depreciation:					
At 1 January 2013	129,237	46,134	98,686	37,704	311,761
Disposals	–	(18,694)	(8,118)	(4,979)	(31,791)
Charge for the year	10,019	–	–	28,094	38,113
At 31 December 2013	139,256	27,440	90,568	60,819	318,083
Net book value:					
At 31 December 2013	33,513	–	–	79,312	112,825
At 1 January 2013	43,532	–	–	107,406	150,938

10. Stocks

	2013	*2012*
	£	*£*
Finished goods held for resale	5,868,160	3,810,412
Raw materials	225,918	499,988
Goods in transit	713,396	80,773
	6,807,474	4,391,173

11. Debtors

	2013	*2012*
	£	*£*
Trade debtors	2,447,432	2,480,254
Amounts owed by group undertakings	63,311	123,740
Other debtors	203,166	50,941
Prepayments	105,084	93,260
	2,818,993	2,748,195

Amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

Notes to the financial statements

at 31 December 2013

12. Creditors: amounts falling due within one year

	2013	*2012*
	£	*£*
Overdraft	–	36,741
Trade creditors	874,207	780,844
Amounts owed to group undertakings	9,190,344	5,711,160
Other taxes and social security costs	97,030	75,037
Accruals and deferred income	331,188	245,918
	10,492,769	6,849,700

Amounts owed to group undertakings include amounts owed to the group funding company, which are unsecured, bear interest and are repayable on demand.

13. Forward contracts

The Company had outstanding forward transactions to hedge foreign currencies as follows at 31 December 2013 of £275,448 (2012 – £1,608,623). Based on the year end exchange rates, these contracts have an unrealised loss of £9,768 at 31 December 2013 (2012 profit – £5,218).

		In currency		*In sterling*
Maturing within one year	*2013*	*2012*	*2013*	*2012*
To hedge future purchase payments in US Dollars	$226,546	$2,377,481	138,811	1,476,957
To hedge future purchase payments in Euro	€47,800	€162,288	40,649	131,666
To hedge future purchase payments in Japanese Yen	¥15,414,300	–	95,988	–

14. Issued share capital

		2013		*2012*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	375,000	375,000	375,000	375,000

15. Movements on reserves

	Profit and loss account
	£
At 1 January 2013	456,536
Loss for the year	(1,023,148)
At 31 December 2013	(566,612)

Notes to the financial statements

at 31 December 2013

16. Reconciliation of shareholders' funds

	2013	*2012*
	£	*£*
Shareholders' funds at 1 January 2013	831,536	1,323,586
Loss for the year	(1,023,148)	(492,050)
Shareholders' funds at 31 December 2013	(191,612)	831,536

17. Pensions

The Company operates a defined contribution pension scheme open to directors and employees. The pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £73,528 (2012 – £74,398).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18. Other financial commitments

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as set out below:

		2013		*2012*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	*£*	*£*	*£*
Operating leases which expire:				
Within one year	–	5,725	–	5,725
In two to five years	–	–	–	–
Over five years	120,251	–	120,251	–
	120,251	5,725	120,251	5,725

19. Related party transactions

The Company has taken advantage of the exemption stated in FRS 8 that allows the non disclosure of transactions or balances with entities that are part of the group.

20. Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary undertaking of DKSH Holdings Limited incorporated in Switzerland, and the directors consider this to be the ultimate parent undertaking and controlling party.

The largest group in which the results of the Company are consolidated is that headed by DKSH Holdings Limited, incorporated in Switzerland. The group financial statements of this company are available to the public and may be obtained from Wellington House, 60-68 Wimbledon Hill Road, Wimbledon, SW19 7PA.