

**OSEM UK Limited**

**Directors' report and financial  
statements**

**Registered number 00637720**

**31 December 2012**

TUESDAY



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19/03/2013  
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## Company information

Directors	D Propper M Mendoza M Collyer P Kimelman I Saig
Company number	00637720
Registered office	7-8 Hemmells Park Hemmells Laindon Essex SS15 6GF
Auditors	KPMG LLP 37 Hills Road Cambridge CB2 1XL

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## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

### Principal activities

The principal activity of the company continued to be that of importers and distributors of food products

### Business review

Despite the difficult trading conditions, the business has increased profits in 2012. The turnover increased from £19.55m in 2011 to £20.45m in 2012 which is an increase of 4.6%, and the net profit before tax of £743,975 in 2011 was increased to a net profit before tax of £1,247,703.

### Results and dividends

The profit after tax for the year amounted to £906,029 (2011: £486,418). The directors do not recommend the payment of a dividend (2011: £nil).

### Directors

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

D Propper  
G Propper (resigned 31 December 2012)  
M Mendoza  
A Kaplan (resigned 5 June 2012)  
A Finkelstein (resigned 31 December 2012)  
M Collyer  
P Kimelman  
I Saig

### Political and charitable contributions

During the year the company made charitable donations of £nil (2011: £nil).

### Principal risks and uncertainties

The principal risks that the company is exposed to include the continuity of the supply chain as a result of the diverse range of suppliers across the globe. The risk is minimised to the extent that the majority of these suppliers are within the Nestle group.

The company is also exposed to the risks associated with the increased level of turnover from a few key customers.

A full analysis of risks that the company is exposed to and how the company manages these risks is detailed in note 24.

### Future developments

The business is optimistic for 2013, taking into consideration the difficult economic conditions faced by the retailers in the market.

## Directors' report *(continued)*

### Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information

### Auditors

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

By order of the board



J. Saig  
Director

7-8 Hemmells Park  
Hemmells  
Landon  
Essex  
SS15 6GF

14<sup>th</sup> February 2013

## **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 IFRSs as adopted by the EU 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 judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 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.



## KPMG LLP

37 Hills Road  
Cambridge  
CB2 1XL  
United Kingdom

### **Independent auditors' report to the members of OSEM UK Limited**

We have audited the financial statements of OSEM UK Limited for the year ended 31 December 2012 set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 6, 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors report to the members of OSEM UK Limited (*continued*)**

### **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

*Charles le Strange Meakin*

Charles le Strange Meakin (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
37 Hills Road  
Cambridge  
CB2 1XL  
United Kingdom

Date *15<sup>th</sup> Feb* 2013



**Statement of comprehensive income**  
*for the year ended 31 December 2012*

	<i>Note</i>	2012 £	2011 £
<b>Revenue</b>	2	20,453,027	19,554,518
Cost of sales		(14,663,703)	(14,479,981)
<b>Gross profit</b>		<u>5,789,324</u>	<u>5,074,537</u>
Distribution expenses		(946,686)	(924,345)
Administrative expenses		(3,587,951)	(3,543,709)
Other operating income	3	142,433	219,572
<b>Results from operating activities prior to other expenses</b>	4	<u>1,397,120</u>	826,055
Other expenses (lease provision)	17	(100,000)	-
<b>Results from operating activities after other expenses</b>		<u>1,297,120</u>	-
Finance income		3,273	2,220
Finance costs	7	(52,690)	(84,300)
<b>Profit before income tax</b>		<u>1,247,703</u>	743,975
Taxation	8	(341,674)	(257,557)
<b>Profit for the year and total comprehensive income</b>		<u><u>906,029</u></u>	<u><u>486,418</u></u>

All amounts relate to continuing operations

The company did not receive any profit or loss or any component of comprehensive income from an associate or joint venture accounted for using the equity method

There were no other components of comprehensive income during 2012 or 2011. As a result, the total comprehensive income for the year is the same as the profit for the year.

All profit and comprehensive income is attributable to the owners of the company.

The notes on pages 13 to 27 form part of these financial statements.

**Statement of changes in equity**  
*for the year ended 31 December 2012*

	Share capital	Revaluation reserve	Retained earnings	Total
	£	£	£	£
Balance as at 1 January 2011	2,000	1,799,131	1,712,305	3,513,436
Comprehensive income				
Profit	-		486,418	486,418
Other comprehensive income	-	(1,799,131)	1,799,131	-
<b>Total comprehensive income</b>	<b>2,000</b>	<b>-</b>	<b>3,997,854</b>	<b>3,999,854</b>
Balance as at 31 December 2011	2,000	-	3,997,854	3,999,854
Comprehensive income				
Profit	-	-	906,029	906,029
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>906,029</b>	<b>906,029</b>
Balance as at 31 December 2012	2,000	-	4,903,883	4,905,883

During the prior year the brought forward revaluation reserve, which arose on a historic revaluation of plant, property and equipment, was transferred to retained earnings to reflect the appropriate accounting treatment under IFRS

**Statement of financial position**  
*at 31 December 2012*

	<i>Note</i>	<b>2012</b>		<b>2011</b>	
		£	£	£	£
<b>Non-current assets</b>					
Intangible assets	9		1,344,108		1,344,108
Property, plant and equipment	10		317,279		439,701
Investments	11		1,978,555		2,000,000
			<hr/>		<hr/>
			3,639,942		3,783,809
<b>Current assets</b>					
Inventories	12	2,659,534		3,890,439	
Trade and other receivables	13	2,455,038		3,159,360	
Cash and cash equivalents		2,822,245		209,309	
		<hr/>		<hr/>	
		7,936,817		7,259,108	
<b>Current liabilities</b>					
Current tax liabilities	14	(366,551)		(257,557)	
Loans and borrowings	14	(350,000)		(2,062,500)	
Trade and other payables	14	(3,726,524)		(3,129,446)	
		<hr/>		<hr/>	
		(4,443,075)		(5,449,503)	
<b>Net current assets</b>			3,493,742		1,809,605
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			7,133,684		5,593,414
<b>Non-current liabilities</b>					
Loans and borrowings	15	(2,099,198)		(1,540,080)	
Deferred tax liability	16	(28,603)		(53,480)	
Provisions	17	(100,000)		-	
		<hr/>		<hr/>	
			(2,227,801)		(1,593,560)
<b>Net assets</b>			<hr/>		<hr/>
			4,905,883		3,999,854
<b>Capital and reserves</b>					
Share capital	18	2,000		2,000	
Retained earnings		4,903,883		3,997,854	
		<hr/>		<hr/>	
<b>Shareholders' funds</b>			4,905,883		3,999,854
			<hr/>		<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14<sup>th</sup> February 2013

  
I. Sarg  
Director

Company registered number 00637720

**Statement of cash flows**  
*for the year ended 31 December 2012*

	2012 £	2011 £
<b>Cash flows – operating activities</b>		
Profit before tax	1,247,703	743,975
Adjustments for		
Interest income	(3,273)	(2,220)
Depreciation of property, plant and equipment	131,503	103,171
Impairment of investment property	-	247,466
Write off/disposal of fixed assets	71,682	(249)
Finance cost	52,284	84,300
Operating profit before working capital changes	1,499,899	1,176,443
Decrease in trade and other receivables	704,322	85,725
Decrease/(increase) in inventories	1,230,905	(768,151)
Increase/(decrease) in trade and other payables	181,270	(567,535)
Increase in provisions	100,000	-
Increase in due to parent and fellow subsidiary undertakings	415,807	250,389
Cash generated from operations	4,132,203	176,871
Corporation tax (paid)/repaid	(257,557)	234,929
<b>Net cash from operating activities</b>	3,874,646	411,800
<b>Cash flows – investing activities</b>		
Purchase of property, plant and equipment	(68,283)	(108,852)
Receipts from sales of property, plant and equipment	8,966	6,771
<b>Net cash used in investing activities</b>	(59,317)	(102,081)
<b>Cash flows – financing activities</b>		
Repayment of bank loans	(1,153,382)	(750,098)
Interest income	3,273	2,220
Finance cost	(52,284)	(84,300)
<b>Net cash from financing activities</b>	(1,202,393)	(832,178)
<b>Net increase/(decrease) in cash and cash equivalent</b>	2,612,936	(522,459)
<b>Cash and cash equivalents</b>		
At beginning of the year	209,309	731,768
At the end of the year	2,822,245	209,309
<b>Net increase/(decrease) in cash and cash equivalent</b>	2,612,936	(522,459)

## Notes to the financial statements for the year ended 31 December 2012

### 1 Accounting Policies

#### *Basis of preparation of financial statements*

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union, Interpretations issued by the International Financial Reporting Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings, available for sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The financial statements are presented in GBP sterling and presented in £'s.

#### *Going Concern*

The Directors have prepared forecasts for 12 months from the date of signature of these financial statements which show that the company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The directors have considered all relevant risks and uncertainties and have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to achieve its forecasts and to continue meet its liabilities as they fall due. Thus they continue to adopt the going concern basis.

#### *Turnover*

Revenue for the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and net of VAT.

#### *Goodwill*

Goodwill representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the income statement.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-installment of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to the income statement on subsequent disposal.

#### *Impairment testing of goodwill and property, plant and equipment*

For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating units. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Property, plant and machinery and depreciation*

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line on buildings
Leasehold improvements	-	straight line over the life of the lease
Plant, machinery and computer equipment	-	25% reducing balance on plant and machinery, 33 1/3% reducing balance on computer equipment
Motor vehicles	-	25% reducing balance
Fixtures & fittings	-	15% reducing balance

#### *Investment properties*

In accordance with International Accounting Standard (IAS) 40 investment properties are initially recognised in the statement of financial position at their fair value and are subsequently accounted for under the cost model. Under the cost model investment properties are depreciated at a rate of 2% per annum on a straight line basis and reviewed for impairment on an annual basis.

#### *Operating leases*

Rental under operating leases are charged against income on a straight line basis over the lease term.

#### *Inventories*

Inventories are valued at the lower cost and net realisable value. Inventories are valued using a standard cost basis which includes an appropriate proportion of carriage, duty and royalty cost. Net realisable value represents the estimated selling price for inventories less selling costs.

#### *Corporation tax*

Corporation tax expense comprises current and deferred tax. Corporation tax expense is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising from initial goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Foreign currencies***

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate of ruling on the date of the transaction

Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

Exchange gains and losses are recognised in the Income Statement

#### ***Pensions***

The company has made contributions to individual personal pension schemes. These contributions and the associated assets of the respective scheme are held separately from those of the company in independently administered funds. The pension charge represents the amounts payable by the company to the fund in respect of the year

#### ***Financial instruments***

Financial instruments are recognised in the statement of financial position at the lower of cost and net realisable value. Provision is made for the diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the income statement in the financial year to which it relates

#### ***Financial liabilities***

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, and all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs

Financial liabilities categorised as at fair value through profit and loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits including balances held in foreign currency bank accounts, which are subject to an insignificant risk of changes in value

#### ***Equity***

Equity comprises the following

Share capital - represents the nominal value of equity shares

Profit and loss reserve - represents retained profits

Notes (*continued*)

**1 Accounting policies (*continued*)**

***Borrowing costs***

All borrowing costs are recognised in profit or loss in the period in which they are incurred

***Functional and presentation currency***

These financial statements are presented in sterling, which is the Company's functional currency. All financial information presented in sterling has been rounded to the nearest pound.

**2 Revenue**

The whole of the turnover is attributable to the company's principle activity.

A geographical analysis of turnover is as follows:

	2012 £	2011 £
United Kingdom	20,373,841	19,438,344
Rest of European Union	79,186	116,174
	<u>20,453,027</u>	<u>19,554,518</u>

**3 Other operating income**

	2012 £	2011 £
Rent receivable	142,433	142,433
Profit on disposal of a business division	-	77,139
	<u>142,433</u>	<u>219,572</u>

During the prior year the operations of Oris, which were previously included in the financial results of the company, were sold. The business division had no attributable assets or liabilities at the date of sale and therefore the profit on disposal equalled the disposal proceeds.

**4 Results from operating activities**

	2012 £	2011 £
<b>Results from operating activities</b>		
The result from operating activities is stated after charging/(crediting)		
Depreciation of tangible fixed assets	110,058	89,970
Depreciation of investment property	21,445	13,200
Impairment of investment property ( <i>see note 11</i> )	-	247,466
Auditors remuneration	18,000	22,345
Operating lease rentals		
Plant and machinery	53,328	53,328
Other operating leases	368,163	367,149
Difference on foreign exchange	(96,013)	(18,071)
	<u>                    </u>	<u>                    </u>



## Notes (continued)

### 5 Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	1,425,495	1,758,658
Social security costs	148,024	148,325
Other pension costs	19,138	68,319
	<u>1,592,658</u>	<u>1,975,302</u>

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

	2012 No	2011 No
Sales and distribution	34	36
Administration	8	8
	<u>42</u>	<u>44</u>

### 6 Directors' remuneration

	2012 £	2011 £
Remuneration	<u>12,000</u>	<u>12,000</u>

During the year retirement benefits were accruing to no directors (2011 nil) in respect of defined contribution pension schemes

The highest paid director received remuneration of £6,000 (2011 £6,000)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2011 £nil)

## Notes (continued)

### 7 Finance costs

	2012 £	2011 £
On bank loans and overdrafts	52,690	84,300

### 8 Taxation

	2012 £	2011 £
<b>Analysis of tax expense in the year</b>		
<b>Domestic current year tax (see below)</b>		
UK corporation tax expense on the profit for the year	366,551	257,557
<b>Deferred tax (see note 16)</b>		
Origination and reversal of timing differences	(24,877)	-
<b>Tax on profit on ordinary activities</b>	<b>341,674</b>	<b>257,557</b>

#### Factors affecting tax expense for the year

The tax assessed for the year is lower than (2011 lower than) the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £	2011 £
Profit for the year	906,029	486,418
Total tax expense	341,674	257,557
Profit excluding tax	1,247,703	743,975
Tax using the UK corporation tax rate of 24.5% (2011 26.5%)	305,687	197,079
Expenses not deductible for tax purposes	44,580	75,252
Capital allowances for year in excess of depreciation	16,284	(14,721)
Adjustments to tax charge in respect of prior periods	-	(53)
Origination and reversal of timing differences	(24,877)	-
Current tax expense for the year	<b>341,674</b>	<b>257,557</b>

## Notes (continued)

### 8 Corporation tax expense (continued)

#### Factors that may affect future tax charges

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. The Autumn statement on 5 December 2012 announced a further reduction of this rate to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 6 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

### 9 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2011, 31 December 2011 and 31 December 2012	1,492,578
	<hr/>
<b>Amortisation and impairment losses</b>	
At 1 January 2011, 31 December 2011 and 31 December 2012	148,470
	<hr/>
<b>Net book value</b>	
At 31 December 2012	1,344,108
	<hr/>
At 31 December 2011	1,344,108
	<hr/>
At 1 January 2011	1,344,108
	<hr/>

Under IAS 36 the goodwill balance is deemed to have an indefinite useful life. The balance is not subject to an annual amortisation charge but is reviewed for impairment on at least an annual basis. The carrying amount of goodwill is determined based on its value in use.

The goodwill balance relates to the acquisition of Yarden GB Limited, the business of which has now been integrated in to the company's operations. The test for impairment of goodwill has been carried out based on cash flow forecasts for 5 years with predicted growth rates ranging from 9%-21% for years 1 to 3, 5% for years 4 and 5 and then assumed perpetual growth of 2% for year 6 onwards. An appropriate discount rate of 10% has been applied to the cash flow forecasts to reflect the impact of risk on future expected cash flows. Management believe that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount. As a result there were no impairments of goodwill during the year (2011: £nil).

## Notes (continued)

### 10 Property, plant and equipment

	Leasehold improvements £	Plant machinery & computer equipment £	Motor vehicles £	Fixtures & fittings £	Total £
<b>Cost of valuation</b>					
At 1 January 2011	97,074	640,881	163,556	252,894	1,154,405
Additions	17,117	24,182	16,069	51,484	108,852
Disposals	-	-	(16,450)	-	(16,450)
At 31 December 2011	114,191	665,063	163,175	304,378	1,246,807
At 1 January 2012	114,191	665,063	163,175	304,378	1,246,807
Additions	-	52,269	-	16,014	68,283
Disposals	-	(438,210)	(45,711)	(250,845)	(734,766)
At 31 December 2012	114,191	279,122	117,464	69,547	580,324
<b>Depreciation</b>					
At 1 January 2011	17,157	402,204	100,018	207,685	727,064
Charge for the year	3,970	63,395	13,415	9,190	89,970
Disposals	-	-	(9,928)	-	(9,928)
At 31 December 2011	21,127	465,599	103,505	216,875	807,106
At 1 January 2012	21,127	465,599	103,505	216,875	807,106
Charge for the year	7,472	72,767	18,220	11,599	110,058
Disposals	-	(401,194)	(37,766)	(215,159)	(654,119)
At 31 December 2012	28,599	137,172	83,959	13,315	263,045
<b>Net book value</b>					
At 31 December 2012	85,592	141,950	33,505	56,243	317,279
At 31 December 2011	93,064	199,464	59,670	87,503	439,701
At 1 January 2011	79,917	238,677	63,538	45,209	427,341

## Notes (continued)

### 11 Investment property

	2012 £
<b>Cost</b>	
At 1 January 2011, 31 December 2011 and 31 December 2012	2,273,921
<b>Depreciation</b>	
At 1 January 2011	13,255
Charge for the year	13,200
Impairment for the year	247,466
	<hr/>
At 31 December 2011	273,921
	<hr/>
At 1 January 2012	273,921
Charge for the year	21,445
	<hr/>
At 31 December 2012	295,366
	<hr/>
<b>Net book value</b>	
At 31 December 2012	1,978,555
	<hr/>
At 31 December 2011	2,000,000
	<hr/>
At 1 January 2011	2,260,666
	<hr/>

The investment property is measured under the cost model with an annual depreciation charge being recognised in the statement of comprehensive income. The investment property generated rental income of £142,433 (2011: £142,433) and direct operating expenses relating to the investment property of £nil (2011: £nil) were incurred. The property was subject to an impairment of £247,466 during the prior year to reflect that its recoverable amount had decreased. The current recoverable amount was based on a valuation performed by third party individual, who held relevant qualifications.

### 12 Inventories

	2012 £	2011 £
Finished goods for resale	2,659,534	3,890,439
	<hr/>	<hr/>

During the year finished goods for resale recognised as cost of sales amounted to £12,942,587 (2011: £12,287,491)

### 13 Trade and other receivables

	2012 £	2011 £
Trade receivables	1,986,726	2,009,927
Other receivables	118,601	210,634
Prepayments and accrued income	349,711	938,799
	<u>2,455,038</u>	<u>3,159,360</u>

### 14 Current liabilities

	2012 £	2011 £
Bank loan	350,000	2,062,500
Trade payables	578,164	610,350
Amounts owed to group undertakings	1,565,976	1,150,169
Corporation tax	366,551	257,557
Social security and other taxes	37,856	41,569
Accruals and deferred income	1,544,528	1,327,358
	<u>4,443,075</u>	<u>5,449,503</u>

The bank loans have the following maturities and interest rates.

Bank loan outstanding balance (£)	Maturity	Interest rate
£909,118	31/12/2016	LIBOR +1.5%

The outstanding bank loan continues to be secured by a letter of comfort from Osem UK Limited's parent company, Osem Investments Limited. Under the terms of the loan agreement quarterly capital repayments of £87,500 plus accrued interest are required. Any outstanding capital balance is payable on maturity. As a result £350,000 of the current outstanding loan balance has been classified as a current liability and the residual balance has been classified as non-current liability to reflect that it will not become payable during 2013.

### 15 Non-current liabilities

	2012 £	2011 £
Bank loan	559,118	-
Preference shares classed as financial liabilities	1,540,080	1,540,080
	<u>2,099,198</u>	<u>1,540,080</u>

Disclosure of the terms and conditions attached to the non-equity share is made in note 18.

## Notes (continued)

### 16 Deferred tax liability

	2012 £	2011 £
At 1 January 2012	53,480	53,480
Credit for the year	(24,877)	-
	<u>28,603</u>	<u>53,480</u>
At 31 December 2012	<u>28,603</u>	<u>53,480</u>
The provision for deferred taxation is made up as follows		
	2012 £	2011 £
Accelerated capital allowances	<u>28,603</u>	<u>53,480</u>

### 17 Provisions

	Onerous lease provision £
At 1 January 2012	-
Provisions made during the year	100,000
	<u>100,000</u>
At 31 December 2012	<u>100,000</u>

The provision relates to leased properties which are vacant. It comprises estimates of dilapidation costs required to make good properties at the end of the lease.

## Notes (continued)

### 18 Share capital

	2012 £	2011 £
<b>Shares classified as capital</b>		
<b>Authorised</b>		
2,000 ordinary shares of £1 each	2,000	2,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
2,000 ordinary shares of £1 each	2,000	2,000
	<u>          </u>	<u>          </u>
<b>Shares classified as debt</b>		
<b>Authorised</b>		
1,823,080 redeemable preference shares of £1 each	1,823,080	1,823,080
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
1,540,080 redeemable preference shares of £1 each	1,540,080	1,540,080
	<u>          </u>	<u>          </u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

The redeemable preference shares are non-voting, non-transferable and are not entitled to any dividend or other distribution. The holders of redeemable shares will rank above other classes of share in the event that the company is wound up and will be entitled to receive the amount paid up or credited as paid up. The shareholders can redeem all or part of the preference shares by serving not less than 12 months notice. Notice can only be given between 1 August and 30 November each year. The amount of redemption cannot exceed 50% of the company's profit after tax with reference to the most recently published annual accounts preceding the redemption notice.

### 19 Pension commitments

During the year the company made contributions amounting to £19,138 (2011 £68,319). At the year end, the amount due was £nil (2011 £nil).

### 20 Financial commitments

At 31 December 2012 the company had aggregated commitments under non-cancellable operating leases as follows

	Land and buildings 2012 £	2011 £	Other 2012 £	2011 £
<b>Expiry date:</b>				
Within 1 year	331,500	331,500	54,360	69,630
Between 2 and 5 years	1,143,250	1,143,250	217,440	-
After more than 5 years	84,920	453,083	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



## Notes (continued)

### 21 Other financial commitments

The company had outstanding forward transactions to hedge foreign currencies as follows

	Currency	2012 £	Currency	2011 £
Maturing within one year				
To cover future commitments to suppliers – US\$	1,600,000	1,002,448	1,200,000	800,000
To cover future commitments to supplier - Euros	1,500,000	1,221,576	1,200,000	1,043,478
Total		2,224,024		1,843,478

### 22 Related party transactions

During the year the following related party transactions took place within the normal course of business

#### Purchase of goods

	2012 £	2011 £
<b>Purchase of goods from fellow subsidiary companies</b>		
Osem Food Industries Limited	1,339,769	1,335,992
Nestle Foods Malaysia Limited	484,122	792,238
Nestle India Limited	420,399	729,960
Nestle Lanka Limited	380,079	436,475
Nestle Deutschland AG	408,599	545,510
Nestle Foods Kenya Limited	1,449,495	901,694
Nestle Polska S A	942,201	859,986
Nestle UK Limited	776,719	534,145
Nestle Grand Froid S A	-	614,121
Tivali Food Industries Limited	1,469,131	1,582,349
Nestle Suisse S A	-	42,318
Tivall Nederlands	109,287	85,670

## Notes (continued)

### 22 Related party transactions (continued)

	2012 £	2011 £
<b>Included within current liabilities</b>		
Osem Food Industries Limited	(427,664)	(381,380)
Nestle Food Malaysia Limited	-	(11,400)
Nestle Deutschland AG	-	(654)
Nestle Nederland BV	-	-
Nestle Foods Kenya Limited	(497,309)	(248,890)
Nestle Polska S A	(257,025)	-
Nestle UK Limited	5,670	(654)
Nestle India	-	(83,590)
Nestle Suisse S A	-	(7,780)
Nestle Grand Froid S A	-	-
Tivall Food Industries Limited	(390,545)	(346,939)
Nestle Lanka Limited	-	(22,325)
Tivall Nederlands	897	(46,557)
	<u>(1,565,976)</u>	<u>(1,150,169)</u>

All intercompany sales and purchases are made under formal transfer pricing agreed terms. The year end creditor balances are subject to 30 day payment terms.

### 23 Ultimate parent undertaking and controlling party

The parent undertaking is Osem Investments Limited, which is incorporated in Israel. Copies of the group financial statements are available to the public from Chaman Industrial Park, PO Box 934, Shoham, 60850, Israel.

The Directors regard Nestle S A as being the ultimate parent company as this company controls the Board of Directors of Osem Investments Limited. The consolidated financial statements of Nestle S A include the financial statements of Osem Investments Limited and are available to the public from Vevey, Switzerland.

## Notes (continued)

### 24 Financial instruments – fair value and risk management

The company's assets and liabilities include the following financial instruments

Cash and cash equivalents  
Trade and other receivables  
Trade and other payables  
Due to parent and fellow subsidiary undertakings  
Redeemable preference shares  
Bank loans

The company's use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk, and liquidity risk. The company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The significant risks that the company is exposed to are discussed below.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the company to credit risk, consist principally of fixed and short notice bank deposit with high credit rating financial institutions and transacting business with counterparties of repute. Credit risk with respect to receivables is limited due to dispersion across large numbers of customers and proactive credit control.

#### Market risk

Market risk, comprising of price risk, interest rate risk and currency risk arises due to movements in market prices of assets, interest rates and foreign currency rates. The company manages market risk by setting limits on exposures to investments, currency and counterparties and transacting business in other major currencies with counterparties of repute.

#### Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its funding requirements. The company manages its risk by monitoring on a regular basis that sufficient funds are available to meet maturing obligations.

#### Fair value

Fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Fair values of the above financial instruments are not materially different from their book values.