

Kerry Logistics (UK) Limited  
Directors report and financial statements  
for the year ended 31 December 2011

Registered number. 1571804

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Kerry Logistics (UK) Limited  
Directors report and financial statements  
for the year ended 31 December 2011  
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# **Kerry Logistics (UK) Limited**

## **Directors and advisers**

### **Directors**

Ang Keng Lam  
Ma Wing Kai, William  
Gary Wilcock

### **Company secretary**

Ian F Dodsworth FCA

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered accountants and statutory auditors  
101 Barbican Square  
Lower Mosley Street  
Manchester  
M2 3PW

### **Bankers**

HSBC Bank Plc  
8 Canada Square  
Canary Wharf  
London  
E14 5HQ

### **Registered office**

Broad Oak Industrial Park  
Ashburton Road West  
Trafford Park  
Manchester  
England  
M17 1RW

### **Registered number**

1571804

# **Kerry Logistics (UK) Limited**

## **Directors' report for the year ended 31 December 2011**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2011

### **Principal activities**

The principal activities of the company are sea and air freight forwarding, warehousing and distribution

### **Results and dividends**

The directors do not recommend payment of a dividend in respect of the year ended 31 December 2011 (2010 £nil) The retained profit for the financial year of £2,249,945 (2010 £2,849,427) has been transferred to reserves

### **Directors**

The directors of the company who were in office during the year, and up to the date of signing the financial statements, are listed on page 1

### **Review of business and future developments**

The directors consider that both turnover and business volumes were satisfactory The year ended 31 December 2011 saw an increase in volumes of international trade, and new business generated from sales efforts has remained strong and provides us with a good platform for continued growth The directors continue to strive to offer an exceptional service to clients, and to broaden the service capability This is partly achieved through bolt on acquisitions, and also by adding new products to our offering Performance is monitored against budget to measure the results and the progress of various divisions and offices within the business The directors are confident of the future growth and development of the business

### **Acquisitions**

During the year the company purchased 100% of the share capital of two companies, Bergen Freight Forwarding Limited and Regency Forwarding Limited Both businesses continued to operate as subsidiaries of Kerry Logistics throughout 2011

### **Financial and other risks, and their management**

The company manages all its risks in order to minimise any possible impact on the trading activities and the financial results of the business

The company occupies a good position in the UK market for logistics and freight forwarding services, which is highly competitive The company's position and its performance can only be maintained by continuing to provide an exceptional service to clients, by both innovating and broadening its service offering and by extending the customer base through both organic growth and acquisitions

The company both receives payments from customers, and settles liabilities to suppliers, in United States dollars (USD), and this forms a natural hedge which largely protects the business from exchange rate risks If necessary spot and forward contracts are used to ensure that the company limits any exchange rate risk

The business has no material exposure to interest rate risks as it has no borrowings Exposure to credit risk is only relevant in respect of trade debtors This risk is managed by credit scoring new and existing customers on a regular basis, by monitoring individual customer payments, by constant review of the ageing of individual debtor balances and through a credit insurance policy In addition we are protected by our trading terms as members of BIFA (British International Freight Association), which limit the financial exposure of the company to legal action and create a lien over the goods carried on behalf of our clients

It is also important to ensure high quality personnel are retained within the business The company therefore operates a performance review management processes to ensure staff are both adequately qualified and also motivated to succeed The company also operates staff benefit packages designed to further motivate the workforce

# Kerry Logistics (UK) Limited

## Directors' report for the year ended 31 December 2011 (continued)

The company has a dedicated sales and business development department to ensure that maximum advantage is taken of the company's strong market position. In addition the company continually seeks to improve existing service offerings, while at the same time adding new services, as its business and the business of its customers develop.

The company deals with a number of large companies in various different sectors. The impact of any customer losses or reduced volumes is mitigated by this spread of business across different sectors and customers. No single customer accounts for more than 5% of turnover or profit.

The company is subject to a wide range of regulatory frameworks, health and safety, worker safety, consumer and environmental laws which could adversely impact the business. The company has therefore developed a specific team to monitor these laws, to ensure regulations are followed, and to ensure that staff are adequately trained where appropriate to deal with those laws that impact on them.

The company is exposed to price risk particularly in areas such as fuel and utilities. Cost increases are reviewed and long term price rises to the business are passed on to customers through pricing action as and when appropriate.

There are risks, such as business interruption, which are managed and minimised through a comprehensive insurance programme which is thoroughly reviewed annually to ensure that scope and cover levels remain appropriate as the business develops. The business is highly reliant on its IT systems. A full disaster recovery plan, including an off site data centre, has been developed and tested in order to ensure that the impact of any loss of computer system(s) would be minimised.

The company recognises that the success of its business is fundamentally linked to the contribution made by its employees. The company strives to attract, motivate and retain quality employees by offering competitive salary and benefits packages, investing in employee development and training programmes and encouraging employee involvement and communication. The company's human resources policies and strategies are focused on striking a balance between improving productivity, job enhancement and the ensuing rewards.

The company ensures that employees receive information about the financial and economic factors affecting the business by regular management meetings and staff conferences. The company has regular consultation with employees so that employees' views can be taken into account in making decisions that are likely to affect their interests.

The company endorses the principles of equal opportunities in the selection, career development and promotion of employees, regardless of gender, orientation, ethnic origin, religion and whether disabled or otherwise.

### Key performance indicators (KPI's)

All parts of the business are monitored and reviewed separately, and a large range of financial and non-financial KPI's are used within the business. These KPI's monitor performance against budget and earlier periods. KPI's are reviewed by departmental managers, and by the management team and board. KPI's are issued by e-mail, through a monthly management information pack and on the company's intranet. The KPI's on which the business focuses are:

- gross profit margins,
- operating profit, and
- profit after tax and minority interests

In the year ending 31 December 2011 revenue decreased 19% over the prior year. Gross profit increased by £896,226 over the prior year to £6,424,329.

# Kerry Logistics (UK) Limited

## Directors' report for the year ended 31 December 2011 (continued)

### Policy and practice on the payment of creditors

The company does not have a formal code that it follows with regard to payments to suppliers. It agrees payment terms with its suppliers on a case by case basis. The company seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. Trade creditor payments days at 31 December 2011 is 33 (34 in 2010).

### Directors' indemnity insurance

The company maintained a directors' and officers' liability insurance policy throughout the financial year.

### Statement of directors' responsibilities

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 the directors have prepared 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 judgements 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, 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.

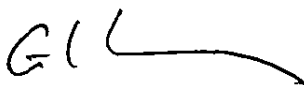
### Disclosure of information to auditors

The directors confirm that at the date of approval of this report

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- all steps have been taken by the directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



Gary Wilcock

Director

11 April 2012

# **Kerry Logistics (UK) Limited**

## **Independent Auditors' Report to the members of Kerry Logistics (UK) Limited**

We have audited the financial statements of Kerry Logistics (UK) Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the notes to the financial statements. 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).

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities 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. 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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 directors' 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 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 2011 and of its profit 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 matters 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.

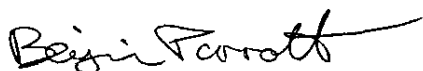
## **Kerry Logistics (UK) Limited**

### **Independent Auditors' Report to the members of Kerry Logistics (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



Benjamin Parrott (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

11 April 2012



# Kerry Logistics (UK) Limited

## Profit and loss account for the year ended 31 December 2011

|  | Note  | 2011<br>£         | 2010<br>£    |
|--|-------|-------------------|--------------|
| <b>Turnover</b>                                      | 1     | <b>71,481,665</b> | 88,293,021   |
| Cost of sales  |       | (65,057,336)      | (80,972,466) |
| Gross profit   |       | <b>6,424,329</b>  | 7,320,555    |
| Administrative expenses                              |       | (3,374,876)       | (3,619,382)  |
| <b>Operating profit</b>                              |       | <b>3,049,453</b>  | 3,701,173    |
| Interest receivable and similar income               | 4     | 105,030           | 88,812       |
| Interest payable and similar charges                 | 4     | (150)             | (4,462)      |
| <b>Profit on ordinary activities before taxation</b> | 5     | <b>3,154,333</b>  | 3,785,523    |
| Tax on profit on ordinary activities                 | 6     | (904,388)         | (936,096)    |
| <b>Profit for the financial year</b>                 | 14,15 | <b>2,249,945</b>  | 2,849,427    |

All items above relate to continuing operations

The company has no recognised gains and losses other than the profits above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above, and their historical cost equivalents

The notes on pages 9 to 21 form part of these financial statements

# Kerry Logistics (UK) Limited

## Balance sheet as at 31 December 2011

|   | Note | 2011<br>£           | 2010<br>£           |
|---|------|---------------------|---------------------|
| <b>Fixed assets</b>                                   |      |                     |                     |
| Tangible assets                                       | 7    | 1,881,872           | 1,410,617           |
| Intangible assets                                     | 8    | 1,160,720           | 1,231,067           |
| Investments   | 9    | 7,569,023           | 5,375,361           |
|   |      | <b>10,611,615</b>   | <b>8,017,045</b>    |
| <b>Current assets</b>                                 |      |                     |                     |
| Debtors   | 10   | 10,601,720          | 12,744,180          |
| Duty deferment debtors                                |      | 1,413,419           | 1,432,537           |
| Cash at bank and in hand                              |      | 11,733,553          | 10,181,744          |
|   |      | <b>23,748,692</b>   | <b>24,358,461</b>   |
| <b>Creditors: amounts falling due within one year</b> | 11   | <b>(17,173,024)</b> | <b>(17,453,297)</b> |
| <b>Net current assets</b>                             |      | <b>6,575,668</b>    | <b>6,905,164</b>    |
| <b>Total assets less current liabilities</b>          |      | <b>17,187,283</b>   | <b>14,922,209</b>   |
| <b>Provisions for liabilities</b>                     | 12   | <b>(15,129)</b>     | <b>-</b>            |
| <b>Net assets</b>                                     |      | <b>17,172,154</b>   | <b>14,922,209</b>   |
| <b>Capital and reserves</b>                           |      |                     |                     |
| Called up share capital                               | 13   | 20,000              | 20,000              |
| Share premium account                                 | 14   | 990,000             | 990,000             |
| Other reserve   | 14   | 10,000              | 10,000              |
| Profit and loss account                               | 14   | 16,152,154          | 13,902,209          |
| <b>Total shareholders' funds</b>                      | 15   | <b>17,172,154</b>   | <b>14,922,209</b>   |

The notes on pages 9 to 21 form part of these financial statements

The financial statements on pages 7 to 21 were approved by the board of directors on 11 April 2012 and signed on its behalf by



Gary Wilcock  
Managing Director

Company registration number 01571804

# Kerry Logistics (UK) Limited

## Statement of accounting policies for the year ended 31 December 2011

### Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention, the accounting policies set out below, the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements contain information about Kerry Logistics (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Kerry Properties Limited (see note 17).

### Turnover

Turnover represents the value of services supplied, net of trade discounts, duty and value added tax disbursements on behalf of clients, and value added tax. All turnover arises from services provided in the United Kingdom. Turnover is recognised on an accruals basis and is recognised when the services are provided.

### Tangible fixed assets

Other tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition, less accumulated depreciation. Freehold property is not depreciated. Depreciation on other tangible fixed assets is provided on a straight line basis to write off the cost of the assets based on their estimated useful economic lives. The principal annual rates used for this purpose are:

|  |          |
|--|----------|
| Leasehold improvements                         | 7% – 33% |
| Plant, office equipment, fixtures and fittings | 7% - 33% |
| Cars and commercial vehicles                   | 15%-25%  |

### Intangible fixed assets

Goodwill is recognised on the hive-up of the business of subsidiary undertakings into the company's balance sheet. The amount of goodwill so recognised is equivalent to the difference between the original cost of the investment and the net book value of the assets and liabilities transferred as a result of the hive-up. Goodwill is amortised on a straight-line basis over a period of 20 years, as assessed by the directors to be its useful economic life.

### Finance and operating lease and hire purchase agreements

Tangible fixed assets acquired under finance lease agreements are capitalised and depreciated over the shorter of the lease term and their expected useful economic lives. Tangible fixed assets acquired under hire purchase agreements are capitalised and depreciated over their expected useful economic lives as it is anticipated that the option to purchase the asset outright will be taken. The capital element reduces the outstanding obligation for future instalments and interest element of the rental obligations is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding. Costs in respect of operating leases are charged to the profit and loss account on a straight line basis in arriving at the operating profit.

### Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit in the year in which they arise.

# **Kerry Logistics (UK) Limited**

## **Statement of accounting policies for the year ended 31 December 2011 (continued)**

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

### **Pension costs**

The company offers money purchase pension arrangements. Contributions are made by the company to the personal pension plans of executive directors and certain other employees and are charged to the profit and loss account as incurred and represent the company's total liability to the plans.

### **Related parties**

The company has taken advantage of the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of Kerry Properties Limited. For transactions with parties that are not wholly owned or controlled by Kerry Properties Limited, full disclosure is included (see note 18).

### **Cash flow statement**

Under Financial Reporting Standard 1 'Cash flow statements' (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Kerry Properties Limited includes the company in its own published consolidated financial statements. Kerry Properties Limited (see note 17) owns 91% of the shares of Kerry Logistics (UK) Limited.

### **Investments**

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

# Kerry Logistics (UK) Limited

## Notes to the financial statements for the year ended 31 December 2011

### 1 Turnover

The directors have elected to take the exemption allowed under schedule 1, paragraph 68 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and chosen not to disclose an analysis of turnover as such a disclosure is considered seriously prejudicial to the interests of the company

### 2 Directors' emoluments

|   | 2011<br>£ | 2010<br>£ |
|---|-----------|-----------|
| Aggregate emoluments and benefits in kind               | 435,110   | 441,689   |
| Company pension contributions to money purchase schemes | 19,777    | 18,911    |

Emoluments and contributions to money purchase schemes are for one director who is also the highest paid director and include the payment of profit related bonus of £215,794 (2010 £229,290) This payment is in accordance with the entitlement under the Director's Service Agreement

Retirement benefits are accruing to one (2010 one) director under money purchase schemes

### 3 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

| By activity                    | 2011<br>Number | 2010<br>Number |
|--------------------------------|----------------|----------------|
| Operational and administrative | 185            | 187            |

|  | 2011<br>£ | 2010<br>£ |
|--|-----------|-----------|
| <b>Staff costs (for the above persons)</b> |           |           |
| Wages and salaries                         | 6,355,441 | 6,058,060 |
| Social security costs                      | 625,649   | 590,067   |
| Other pension costs                        | 191,128   | 119,313   |
|  | 7,172,218 | 6,767,440 |

# Kerry Logistics (UK) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 4 Interest

| <b>Interest payable and similar charges:</b> | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|--|-------------------|-------------------|
| On finance lease agreements                  | -                 | 2,015             |
| Bank interest payable                        | <b>150</b>        | 2,447             |
|  | <b>150</b>        | 4,462             |

#### **Interest receivable and similar income:**

Interest receivable of £105,030 (2010 £88,812) relates to interest earned on positive cash balances during the year and cash balances placed on short term deposits

### 5 Profit on ordinary activities before taxation

|  | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|--|-------------------|-------------------|
| Profit on ordinary activities before taxation is stated after charging |                   |                   |
| Depreciation of tangible fixed assets                                  |                   |                   |
| - owned assets   | <b>355,936</b>    | 341,070           |
| - under finance leases   | <b>5,559</b>      | 21,295            |
| Hire of machinery and equipment  | <b>181,910</b>    | 237,432           |
| Operating leases in respect of land and buildings                      | <b>436,060</b>    | 542,416           |
| Auditors' remuneration for audit                                       | <b>36,720</b>     | 30,500            |
| Auditors' remuneration for other services - taxation                   | <b>10,780</b>     | 9,000             |
| Auditors' remuneration for other services – other services             | -                 | 14,000            |
| Amortisation of intangible fixed assets                                | <b>70,347</b>     | 70,347            |

# Kerry Logistics (UK) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 6 Tax on profit on ordinary activities

The taxation charge is based on the profit for the year at a rate of 26.5% (2010 28%) and comprises

|  | 2011<br>£      | 2010<br>£      |
|--|----------------|----------------|
| Current tax                                    |                |                |
| UK corporation tax on profits for the year     | 860,870        | 1,126,102      |
| Adjustment in respect of prior years           | (43,607)       | (175,351)      |
| Total current tax                              | 817,263        | 950,751        |
| Deferred tax                                   |                |                |
| Origination and reversal of timing differences | 85,658         | (16,474)       |
| Changes in tax rates or laws                   | 1,467          | 1,819          |
| Total deferred tax (Note 12)                   | 87,125         | (14,655)       |
| <b>Tax on profit on ordinary activities</b>    | <b>904,388</b> | <b>936,096</b> |

The current tax charge for the year is lower (2010 lower) than the profit before tax multiplied by the effective rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

|   | 2011<br>£        | 2010<br>£        |
|---|------------------|------------------|
| <b>Profit on ordinary activities before tax</b>   | <b>3,154,335</b> | <b>3,785,523</b> |
| Profit on ordinary activities multiplied by standard rate of UK corporation tax of 26.5% (2010 28%) | 835,898          | 1,059,946        |
| Effects of  |                  |                  |
| Expenses not deductible for tax purposes  | 60,359           | 42,441           |
| Depreciation charge for the year in excess of capital allowances                                    | (35,562)         | 22,917           |
| Other timing differences  | 175              | 798              |
| Adjustments in respect of prior years   | (43,607)         | (175,351)        |
| <b>Current tax charge for the year</b>  | <b>817,263</b>   | <b>950,751</b>   |

The Finance Act 2011 was substantively enacted on 29 March 2011 and included legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011. A further reduction to 25% from 1 April 2012 was substantively enacted by subsequent legislation on 5 July 2011. The deferred tax asset at 31 December 2011 has been re-measured accordingly.

# Kerry Logistics (UK) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 6 Tax on profit on ordinary activities (continued)

Further reductions to the UK corporation tax rate were announced in the 2011 Budget on 23 March 2011, which proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. However, a further announcement was made in the 2012 Budget on 21 March 2012, which will result in the rate reducing to 24% from 1 April 2012, with further 1% reductions per annum to 22% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements. The impact of the proposed changes is not expected to be material to the balance sheet.

### 7 Tangible fixed assets

|                                 | Freehold<br>property | Leasehold<br>improvements | Plant, office<br>equipment,<br>fixtures and<br>fittings | Cars and<br>commercial<br>vehicles | Total            |
|---------------------------------|----------------------|---------------------------|---|------------------------------------|------------------|
|                                 | £                    | £                         | £   | £                                  | £                |
| <b>Cost</b>                     |                      |                           |   |                                    |                  |
| At 1 January 2011               | 120,000              | 1,273,324                 | 2,668,948   | 365,088                            | 4,427,360        |
| Additions                       | -                    | 402,745                   | 139,206   | 302,653                            | 844,604          |
| Disposals                       | -                    | -                         | (41,194)  | (103,423)                          | (144,617)        |
| <b>At 31 December 2011</b>      | <b>120,000</b>       | <b>1,676,069</b>          | <b>2,766,960</b>  | <b>564,318</b>                     | <b>5,127,347</b> |
| <b>Accumulated depreciation</b> |                      |                           |   |                                    |                  |
| At 1 January 2011               | -                    | 676,950                   | 2,111,436   | 228,357                            | 3,016,743        |
| Charge for the year             | -                    | 109,970                   | 189,810   | 61,715                             | 361,495          |
| Disposals                       | -                    | -                         | (39,238)  | (93,525)                           | (132,763)        |
| <b>At 31 December 2011</b>      | <b>-</b>             | <b>786,920</b>            | <b>2,262,008</b>  | <b>196,547</b>                     | <b>3,245,475</b> |
| <b>Net book amount</b>          |                      |                           |   |                                    |                  |
| <b>At 31 December 2011</b>      | <b>120,000</b>       | <b>889,149</b>            | <b>504,952</b>  | <b>367,771</b>                     | <b>1,881,872</b> |
| At 31 December 2010             | 120,000              | 596,374                   | 557,512   | 136,731                            | 1,410,617        |



## Kerry Logistics (UK) Limited

### Notes to the financial statements for the year ended 31 December 2011 (continued)

#### 7 Tangible fixed assets (continued)

The fixed assets above include assets held under finance lease and hire purchase agreements

|                          | 2011<br>£ | 2010<br>£ |
|--------------------------|-----------|-----------|
| Cost                     | 403,696   | 475,282   |
| Accumulated depreciation | (387,576) | (453,423) |
| Net book value           | 16,120    | 21,859    |

The freehold property is included in the financial statements at a professional valuation as at 31 December 2008 of £120,000, valuations are carried out periodically, by an external independent valuer

#### 8 Intangible assets

|                                   | Goodwill<br>£ |
|-----------------------------------|---------------|
| Cost                              |               |
| At 1 January and 31 December 2011 | 1,406,933     |
| Accumulated amortisation          |               |
| At 1 January 2011                 | 175,866       |
| Charge for the year               | 70,347        |
| At 31 December 2011               | 246,213       |
| Net book amount                   |               |
| At 31 December 2011               | 1,160,720     |
| At 31 December 2010               | 1,231,067     |

## Kerry Logistics (UK) Limited

### Notes to the financial statements for the year ended 31 December 2011 (continued)

#### 9 Investments

|                                | Subsidiary<br>undertakings<br>£ |
|--------------------------------|---------------------------------|
| <b>Cost and net book value</b> |                                 |
| At 1 January 2011              | 5,375,361                       |
| Additions (see below)          | 2,193,662                       |
| <b>At 31 December 2011</b>     | <b>7,569,023</b>                |

| Name of undertaking             | Country of<br>incorporation | Description of<br>shares held | Proportion of<br>issued shares held at<br>31 December 2011 |
|---------------------------------|-----------------------------|-------------------------------|--|
| <b>Trading company</b>          |                             |                               |  |
| Kerry Teamwork Ltd              | England & Wales             | Ordinary                      | 100%   |
| Regency Forwarding Limited      | England & Wales             | Ordinary                      | 100%   |
| Bergen Freight Forwarding       | England & Wales             | Ordinary                      | 100%   |
| <b>Dormant companies</b>        |                             |                               |  |
| Orion Shipping & Forwarding Ltd | England & Wales             | Ordinary                      | 100%   |
| Trident International Ltd       | England & Wales             | Ordinary                      | 100%   |
| Kerry Records Management Ltd    | England & Wales             | Ordinary                      | 100%   |

All the above companies have a statutory year end of 31 December

The directors believe that the carrying value of the investments is supported by their underlying net assets

During the period the company purchased 100% of the share capital of two companies, Bergen Freight Forwarding Limited, for a consideration of £650,000, and Regency Forwarding Limited for a consideration of £759,819. There are further annual payments payable over a two year period totalling £350,000 and £433,844 respectively, dependent on meeting certain gross profit criteria. As it is anticipated that these criteria will be met the amounts have been accrued in full at the year end.

# Kerry Logistics (UK) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 10 Debtors

| Amounts falling due within one year    | 2011<br>£  | 2010<br>£  |
|--|------------|------------|
| Trade debtors                          | 9,175,848  | 10,859,673 |
| Amounts owed by fellow group companies | 509,249    | 851,605    |
| Other debtors                          | 548,544    | 614,035    |
| Prepayments and accrued income         | 368,079    | 346,871    |
| Deferred tax (note 12)                 | -          | 71,996     |
|  | 10,601,720 | 12,744,180 |

All amounts due from other group companies are unsecured, interest free and repayable on demand

### 11 Creditors: Amounts falling due within one year

|  | 2011<br>£  | 2010<br>£  |
|--|------------|------------|
| Trade creditors  | 5,297,570  | 7,409,345  |
| Amounts owed to fellow group companies                         | 4,100,153  | 4,011,166  |
| Other creditors including taxation and social security payable | 6,489,811  | 4,947,857  |
| Accruals and deferred income                                   | 1,285,490  | 1,084,929  |
|  | 17,173,024 | 17,453,297 |

All amounts due from other group companies are unsecured, interest free and repayable on demand

Other creditors including taxation and social security payable can be analysed as follows

|                             | 2011<br>£ | 2010<br>£ |
|-----------------------------|-----------|-----------|
| Deferred duty               | 4,972,511 | 4,115,521 |
| Corporation tax             | 417,455   | 398,252   |
| PAYE and national insurance | 222,540   | 194,565   |
| Other                       | 877,305   | 239,519   |
|                             | 6,489,811 | 4,947,857 |

HSBC Bank plc provides a payment guarantee facility in respect of H M Revenue & Customs duty deferment  
The guarantee is secured by way of a fixed and floating charge debenture dated 12 February 1996

# Kerry Logistics (UK) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 12 Deferred tax (liability)/asset

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future so as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements. All deferred tax has been recognised in the financial statements, which comprises

|   | 2011<br>£ | 2010<br>£ |
|---|-----------|-----------|
| Tax effect of timing differences because of         |           |           |
| Excess of depreciation over capital allowances      | (17,063)  | 70,086    |
| Short term timing differences                       | 1,934     | 1,910     |
|   | (15,129)  | 71,996    |
| Movements on the deferred tax (liability)/asset are |           | £         |
| At 1 January 2011                                   |           | 71,996    |
| Charged to the profit and loss account (see Note 6) |           | (87,125)  |
| At 31 December 2011                                 |           | (15,129)  |

## Kerry Logistics (UK) Limited

### Notes to the financial statements for the year ended 31 December 2011 (continued)

#### 13 Called up share capital

|   | 2011<br>£     | 2010<br>£ |
|---|---------------|-----------|
| <b>Allotted and fully paid</b>                  |               |           |
| 20,000 (2010 20,000) ordinary shares of £1 each | <b>20,000</b> | 20,000    |

#### 14 Reserves

|                               | Capital<br>redemption<br>reserve<br>£ | Share<br>premium<br>account<br>£ | Profit and<br>loss account<br>£ |
|-------------------------------|---------------------------------------|----------------------------------|---------------------------------|
| At 1 January 2011             | 10,000                                | 990,000                          | 13,902,209                      |
| Profit for the financial year | -                                     | -                                | 2,249,945                       |
| <b>At 31 December 2011</b>    | <b>10,000</b>                         | <b>990,000</b>                   | <b>16,152,154</b>               |

#### 15 Reconciliation of movements in shareholders' funds

|                                    | 2011<br>£         | 2010<br>£  |
|------------------------------------|-------------------|------------|
| Profit for the financial year      | <b>2,249,945</b>  | 2,849,427  |
| Opening shareholders' funds        | <b>14,922,209</b> | 12,072,782 |
| <b>Closing shareholders' funds</b> | <b>17,172,154</b> | 14,922,209 |

# Kerry Logistics (UK) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 16 Financial commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases for land and buildings and plant and equipment as follows

|                                   | 2011                        |                            | 2010                        |                            |
|-----------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
|                                   | Plant and<br>equipment<br>£ | Land and<br>buildings<br>£ | Plant and<br>equipment<br>£ | Land and<br>buildings<br>£ |
| Expiring within one year          | 175,670                     | -                          | -                           | 14,883                     |
| Expiring within two to five years | 6,240                       | 179,896                    | 181,910                     | 142,132                    |
| Expiring in over five years       | -                           | 256,164                    | -                           | 256,164                    |
|                                   | 181,910                     | 436,060                    | 181,910                     | 413,179                    |

At the end of the period the company had outstanding commitments for capital expenditure of £nil (2010 £357,321)

### 17 Ultimate parent undertaking and controlling party

The immediate parent company is Kerry Freight Services (U K ) Limited, a company registered in the British Virgin Islands. The ultimate holding company and controlling party is Kerry Group Limited, which is incorporated in the Cook Islands. The smallest group to publish consolidated financial statements is Kerry Properties Limited. These group financial statements incorporate the results of Kerry Logistics (UK) Limited and its subsidiary undertakings and are available from 25/F, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong.

### 18 Related party balances and transactions

Related parties comprise shareholders, directors and any business that are controlled, directly or indirectly, by the shareholders or directors of the entity.

All transactions with related parties are incurred in the day to day trading of the business.

| Turnover:                               | 2011<br>£ | 2010<br>£ |
|---|-----------|-----------|
| Kerry Salvat Logistics SA               | 5,308     | 576,333   |
| Kerry Freight (Hong Kong) Limited       | 902,750   | 393,410   |
| Kerry Teamwork Limited                  | 273,354   | 266,501   |
| Kerry Logistics (Belgium) B V B A       | 80,975    | 166,762   |
| Kerry Logistics (Singapore) Pte Limited | 206,345   | 126,780   |
| Other related parties                   | 879,673   | 339,096   |
|   | 2,348,405 | 1,868,882 |

# Kerry Logistics (UK) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

| <b>Purchases:</b>                      | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|--|-------------------|-------------------|
| Kerry Freight (Hong Kong) Limited      | 1,202,004         | 1,868,509         |
| Kerry EAS Logistics Limited – Shanghai | 1,321,701         | 1,867,476         |
| Kerry Freight International Limited    | 2,020,102         | 1,462,558         |
| Other related parties                  | 1,884,074         | 819,838           |
|  | <b>6,427,881</b>  | <b>6,018,381</b>  |

### Related party balances

| <b>Due from related parties:</b>        | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|---|-------------------|-------------------|
| Kerry Salvat Logistics SA               | -                 | 509               |
| Kerry Freight (Hong Kong) Limited       | 306,074           | 28,261            |
| Kerry Teamwork Limited                  | 20,808            | 685,602           |
| Kerry Logistics (Belgium) B V B A       | 54,182            | 873               |
| Kerry Logistics (Singapore) Pte Limited | 22,182            | -                 |
| Other related parties                   | 106,003           | 136,360           |
|   | <b>509,249</b>    | <b>851,605</b>    |

| <b>Due to related parties:</b>         | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|--|-------------------|-------------------|
| Kerry Freight (Hong Kong) Limited      | 140,887           | 152,413           |
| Kerry EAS Logistics Limited – Shanghai | 202,693           | 7,899             |
| Orian Shipping & Forwarding Limited    | 3,174,484         | 3,174,484         |
| Other related parties                  | 582,089           | 676,370           |
|  | <b>4,100,153</b>  | <b>4,011,166</b>  |