

Company Registration No. 00934139

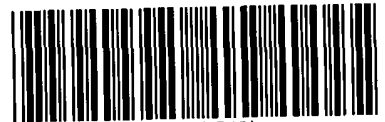
Azelis UK Life Sciences Limited

Annual Report and Financial Statements

for the year ended

31 December 2016

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Azelis UK Life Sciences Limited
Company Registration No. 00934139

Annual Report and Financial Statements 2016

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Azelis UK Life Sciences Limited
Company Registration No. 00934139

Officers and Professional Advisers

Directors

Mrs J Traynor
D M McCabe (resigned 31/05/16)
H J Muller (resigned 25/07/16)
M Hollenhorst (resigned 25/07/16)
T Bakker (appointed 01/09/16)
A Bertona (appointed 01/09/16)
S E Roberts (appointed 31/05/16)

Secretary

D M McCabe (resigned 31/05/16)
S E Roberts (appointed 31/05/16)

Registered Office

Foxholes Business Park
John Tate Road
Hertford
Hertfordshire
SG13 7YH

Bankers

Fortis Bank SA
5 Aldermanbury Square London
EC2V 7HR

Independent Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Principal activities and future developments

The principal activities of the company continue to be the sale and distribution of speciality ingredients for the personal care, food, healthcare and fragrance ingredients sectors. The directors do not anticipate the principal activity of the company to change in the foreseeable future.

Business review

The directors' objective is to develop and grow the Life Science business across the core sectors of the Azelis portfolio, underpinning growth and product performance improvements for the mutual benefit of customers, suppliers, employees and shareholders. Synergies arising from membership of the Azelis Group will remain a fundamental lynchpin of these objectives.

The high level key performance indicators are:

KPI	Year to	Year to
	31 December	31 December
	2016	2015
	£000	£000
Turnover	57,525	62,798
Operating profit	589	843
Net assets	37,988	38,573

Turnover declined with lower volumes following loss of a mandate to a distributor already representing the manufacturer in other parts of the world. New mandates have been secured from which to build future revenues.

The decline in the value of Sterling increased the cost of imports and put pressure on operating profit performance as sales price rises were negotiated. Management took early action to reduce discretionary expenditure and, in the final quarter of the year, took the decision to streamline the organisation; a restructuring provision of £0.31million has been charged against operating profit related mainly to redundancy. The restructuring is expected to deliver savings in excess of £0.7million in 2017.

The company paid a dividend of £3.2m in the year following the disposal of its shareholding in Azelis Canada Chemicals Limited to another Azelis company. This led to a small reduction in net assets when measured against a profit for the financial year of £2.6million.

Strategic report (continued)

Principal risks and uncertainties and financial risk management

The principal commercial uncertainty facing the company relates to a trend, notable within the UK Personal Care industry, of relocating manufacture to cheaper operating environments. The company continues to use its market presence, deep industry understanding and membership of the Azelis Group to diversify its product range and broaden its target market sectors and customer base in the UK. The company's focus remains on the provision of a high level of value-added service involving in-depth product and market knowledge, first class supply chain performance and a commitment to continual improvement.

With regard to financial risks, as the company's trading operations involve foreign currencies there is an inherent exposure to exchange risk; the company addresses this risk in accordance with Azelis group policy. The company's credit risk primarily relates to trade debtors and is managed by monitoring the aggregate amount and duration of exposure to any one customer depending on their credit rating.

The company offers credit terms to its customers which allow payment of the debt after delivery of the goods. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This is mitigated by the strong on-going customer relationship.

The company maintains a strong culture towards health, safety and the environment and operates a responsible care programme.

Approved by the Board of Directors
and signed on behalf of the Board



S E Roberts

Director
27th April 2017

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Results and dividends

The results for the year are set out on page 9.

The directors recommend the payment of a dividend for the year of £3,201,120 (2015: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mrs J Traynor
D M McCabe (resigned 31/05/16)
H J Muller (resigned 25/07/16)
M Hollenhorst (resigned 25/07/16)
T Bakker (appointed 01/09/16)
A Bertona (appointed 01/09/16)
S E Roberts (appointed 31/05/16)

Going concern

As part of the Azelis Group financing arrangements, the company guarantees the obligations of Azelis SA with the group's debt facilities agents. After making adequate enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in note 3 to the financial statements.

Future developments

The external commercial environment is expected to remain competitive in 2017. Strategies have been implemented which will ensure that the company remains competitive going forward.

Post reporting date events

There have not been any major changes since the Balance Sheet date.

Financial risk management

Details of the financial risk management are provided in the Strategic Report on page 2.

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in place through the financial year and remains in force as at the date of approving the Directors' Report.

Directors' Report (continued)

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as 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.

The Independent Auditors, PricewaterhouseCoopers LLP were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Approved by the Board and signed on its behalf by:



S E Roberts

Director
27th April 2017

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

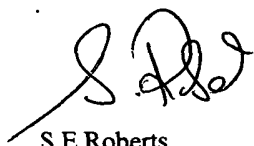
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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



S E Roberts

Director
27th April 2017

Azelis UK Life Sciences Limited
Company Registration No. 00934139

Independent auditors' report to the members of Azelis UK Life Sciences Limited

Report on the financial statements

Our opinion

In our opinion, Azelis UK Life Sciences Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the companies act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Azelis UK Life Sciences Limited

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities 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) ("ISAs (UK & 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.

What an audit of financial statements involves

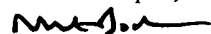
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Nicholas Boden (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

18 April 2017

Azelis UK Life Sciences Limited
Company Registration No. 00934139

Profit and Loss Account
For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	5	57,525	62,798
Cost of sales		(45,476)	(49,810)
Gross profit		12,049	12,988
Administrative expenses		(11,460)	(12,145)
Operating profit	6	589	843
Interest receivable and similar income	8	1,658	2,041
Interest payable and similar expenses	9	(180)	(54)
Dividend income	10	1,039	2,387
Profit before taxation		3,106	5,217
Tax on profit	11	(490)	(993)
Profit for the financial year		2,616	4,224

The company has no other comprehensive income.

The notes on pages 12 to 30 form an integral part of the financial statements.

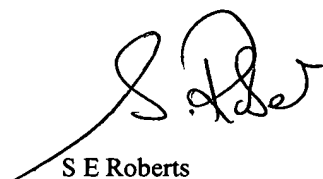
Azelis UK Life Sciences Limited
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Balance Sheet
As at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	12	188	138
Investments	13	3,001	4,640
		<u>3,189</u>	<u>4,778</u>
Current assets			
Inventories	14	6,071	7,020
Debtors	15	39,792	36,557
Cash and cash equivalents		1,342	116
		<u>47,205</u>	<u>43,693</u>
Creditors: amounts falling due within one year	16	(12,396)	(9,898)
Net current assets		<u>34,809</u>	<u>33,795</u>
Creditors: amounts falling due after more than one year	17	(10)	-
Net assets		<u>37,988</u>	<u>38,573</u>
Called up share capital	20	115	115
Share premium account	21	404	404
Profit and loss account	21	37,469	38,054
Total shareholders' funds		<u>37,988</u>	<u>38,573</u>

The notes on pages 12 to 30 form an integral part of the financial statements.

The financial statements on pages 9 to 30 were approved for issue by the Board of Directors on 27th April 2017 and signed on its behalf by:



S E Roberts
Director

Azelis UK Life Sciences Limited
Company registered number 00934139

Azelis UK Life Sciences Limited
Company Registration No. 00934139

Statement of Changes in Equity
For the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 1 January 2015	115	404	33,830	34,349
Profit for the financial year and total comprehensive income for the year	-	-	4,224	4,224
Balance as at 31 December 2015	115	404	38,054	38,573
Profit for the financial year and total comprehensive income for the year	-	-	2,616	2,616
Equity dividends paid	-	-	(3,201)	(3,201)
Balance as at 31 December 2016	115	404	37,469	37,988

The notes on pages 12 to 30 form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

1. General Information

Azelis UK Life Sciences Limited is a private limited company domiciled and incorporated in England and Wales. The registered office is Foxholes Business Park, John Tate Road, Hertford, Hertfordshire, SG13 7YH.

2. Statement of compliance

The financial statements of Azelis UK Life Sciences Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The company is exempt from the requirement to produce group financial statements under section 400 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking of Azelis SA, which is incorporated in Luxembourg. These financial statements present information about the company and not about its group.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by schedule 400 of the Companies Act 2006 as it is a subsidiary undertaking of Azelis SA, a company incorporated in Luxembourg, and is included in the consolidated financial statements of that company.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Going concern

The Azelis group manages its cash flows, liquidity position and borrowing facilities on a group basis and further disclosure relating to these matters are included in the annual report of Azelis SA. The company guarantees the obligations of Azelis SA under the group's debt facilities agreements. As at 31 December 2016, the company had net current assets of £34,809,000 (2015: £33,795,000) and net assets of £37,988,000 (2015: £38,573,000). After making due enquiries, the directors have a reasonable expectation that the company and group have adequate resources for the foreseeable future.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- (i) From preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and the group consolidated financial statements include a Statement of Cash Flow

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

(c) Exemptions for qualifying entities under FRS 102 (continued)

- (ii) Group Related Party disclosures for 100% subsidiaries within the group.

(d) Foreign currency

(i) Functional and presentation currency

The financial statements are presented in GBP and rounded to thousands.

The company's functional and presentation currency is GBP.

(ii) Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(e) Turnover recognition

Turnover from the sale of goods is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably; (d) it is probable that future economic benefits will flow to the entity.

(i) Interest income

Interest income is recognised using the effective interest rate method.

(f) Dividend income

Dividend income is recognised when the company's right to receive payment is established.

(g) Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

(h) Employees Benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

(i) Short term benefits

The cost of all short term benefits, including holiday pay, salaries employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised as an expense in the period in which the service is received.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

(h) Employees Benefits (continued)

(ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company independently administered funds.

(iii) Annual bonus plan

The company operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

(i) Taxation

Taxation expenses for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the expected tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(j) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

(j) Business combinations and goodwill (continued)

cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the capitalised cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGUs') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

On disposal of the relevant cash-generating unit, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

(k) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

• Leashold improvements	- The life of the lease
• Computer equipment	- 4 years
• Fixtures, fittings and equipment	- 10 years
• Motor vehicles	- 4 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(l) Borrowing costs

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

(m) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

(m) Leased assets (continued)

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period to the break clause of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2013) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

(n) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use.

These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

(n) Impairment of non-financial assets (continued)

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account. Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

(o) Investments

Investment in a subsidiary company is held at cost less accumulated impairment losses.

(p) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined on the weighted average cost method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(r) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(s) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Azelis UK Life Sciences Limited

Company Registration No. 00934139

Notes to the Financial Statements (continued) For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

(i) Financial assets (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

(v) Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same company. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the company financial statements.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provisions

Provision is made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

(a) Impairment of investments in subsidiaries

The Group considers whether investments in subsidiaries are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows

Azelis UK Life Sciences Limited

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Notes to the Financial Statements (continued) For the year ended 31 December 2016

5. Turnover

Analysis of turnover by geography

	2016 £'000	2015 £'000
United Kingdom	37,865	37,571
Rest of World	19,660	25,227
	<u>57,525</u>	<u>62,798</u>

Analysis of turnover by category

	2016 £'000	2015 £'000
Sale of goods	56,061	62,102
Rendering of services	440	696
Compensation for loss of supplier mandate	1,024	-
	<u>57,525</u>	<u>62,798</u>

6. Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging:		
Operating leases	887	757
Service fee from Azelis UK Limited	725	-
Restructuring charge	310	-
Gain on disposal of investment	503	1,985
Loss on foreign exchange transactions	532	68
Auditors' remuneration for the audit of the company's annual financial statements	27	19
Depreciation of tangible assets	43	108
Amortisation of goodwill	-	5
	<u></u>	<u></u>

The fees payable for the audit of the company's annual financial statements are £27,000. There were no other non-audit fees paid to the company's auditors.

During the fourth quarter of 2016, the company announced a restructuring of its operations that resulted in the redundancy of 16 employees through to the end of March 2017. The provision for restructuring costs amounted to £310,000.

During the year a policy was introduced to charge the company a proportion of overhead expenses incurred by its sister company, Azelis UK Limited, connected with the delivery of functional and management services.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

7. Staff numbers and costs

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

	Number of employees	
	2016	2015
	No.	No.
Sales and support	117	112

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£'000	£'000
Wages and salaries	4,716	4,513
Social security costs	549	512
Other pension costs	238	198
	<u>5,503</u>	<u>5,223</u>

No directors received any remuneration in the current or prior year for services to this company.

8. Interest receivable and similar income

	2016	2015
	£'000	£'000
On amounts due from group companies	1,658	2,038
Other interest	-	3
	<u>1,658</u>	<u>2,041</u>

9. Interest payable and similar expenses

	2016	2015
	£'000	£'000
On amounts due to group companies	176	51
Bank interest	-	-
Other interest	4	3
	<u>180</u>	<u>54</u>

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

10. Dividend income

	2016	2015
	£'000	£'000
Dividends received from group undertakings	<u>1,039</u>	<u>2,387</u>

11. Tax on profit

Analysis of charge in the year

	2016	2015
	£'000	£'000
Current tax		
Corporation tax at 20.00% (2015: 20.25%)	366	982
Adjustments in respect of prior periods	(32)	(10)
Total current tax	<u>334</u>	<u>972</u>
Withholding tax on overseas dividends	136	-
Deferred tax (see note 18)		
Origination/reversal of timing differences	20	21
Adjustments in respect of prior periods	-	-
Effect of decreased tax rate	-	-
Tax on profit	<u>490</u>	<u>993</u>

In the current and previous years, adjustments have been made in respect of the release of tax provisions no longer required.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

11. Tax on profit on ordinary activities (continued)

Analysis of charge/(credit) in the year

The current tax charge for the year is lower (2015: lower) than the standard rate of corporation tax in the UK 20.00% (2015: 20.25%). The differences are explained below:

	2016	2015
	£'000	£'000
<i>Current tax reconciliation</i>		
Profit		
before taxation	3,106	5,217
	<hr/>	<hr/>
Current tax at 20.00% (2015: 20.25%)	611	1,056
Effects of:		
Expenses not deductible for tax purposes	82	17
Differences between capital allowances and depreciation	1	-
Other short term timing differences	-	9
Other adjustment	-	2
Non-taxable income	(208)	(483)
Rate difference for current and deferred tax movements	1	(2)
Gain/(loss) on disposal of investments	(101)	404
Adjustments in respect of prior periods	(32)	(10)
With-holding tax on overseas dividends	136	-
	<hr/>	<hr/>
Total tax charge	490	993
	<hr/>	<hr/>

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

12. Tangible assets

	Leasehold improvements	Computer equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2016	130	2,113	747	13	3,003
Additions	46	-	47	-	93
Disposals	-	-	-	(13)	(13)
At 31 December 2016	176	2,113	794	-	3,083
Accumulated depreciation					
At 1 January 2016	61	2,111	680	13	2,865
Charge for the year	15	2	26	-	43
Disposals	-	-	-	(13)	(13)
At 31 December 2016	76	2,113	706	-	2,895
Net book value					
At 31 December 2016	100	-	88	-	188
At 31 December 2015	69	2	67	-	138

Assets held under finance leases were acquired during the year costing £21,000 (2015: £nil) with a net book value of £16,000 as at 31 December 2016.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

13. Investments

	Shares in group undertakings £'000
Cost	
At 1 January 2016	4,677
Additions	161
Disposals	(1,800)
At 31 December 2016	<u>3,038</u>
Provision for impairment	
At 1 January 2016	(37)
Charge in the year	-
Disposals	-
At 31 December 2016	<u>(37)</u>
Net book value	
At 31 December 2016	<u>3,001</u>
At 31 December 2015	<u>4,640</u>

During the year the company increased its investment in Azelis Australia Pty. Limited and disposed of its investment in Azelis Canada Chemicals Limited to another Azelis Group company.

The entities in which the company's direct shareholding interest at the year end is greater than 20% are as follows:

Subsidiary undertakings	Country of registration	Principal activity	Percentage of ordinary shares held
S & D Chemicals Limited	England and Wales	Dormant	100.0%
Food Ingredient Technology Limited	England and Wales	Dormant	100.0%
Azelis Australia Pty. Limited	Australia	Specialist chemicals	100.0%
Azelis Bulgaria EAD	Bulgaria	Specialist chemicals	100.0%

Subsidiary undertakings	Address
S & D Chemicals Limited	Alexander House, Crown Gate, Runcorn, Cheshire, WA7 2UP
Food Ingredient Technology Limited	Alexander House, Crown Gate, Runcorn, Cheshire, WA7 2UP
Azelis Australia Pty. Limited	117 Old Pittwater Road, Sydney, NSW 2100, Australia
Azelis Bulgaria EAD	Office 410B, 36 Dragon Tzankov Blvd, Sofia, 1040, Bulgaria

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

14. Inventories

	2016	2015
	£'000	£'000
Finished goods and goods for resale	6,071	7,020

A net impairment gain of £929,000 (2015: loss £803,000) was recognised in cost of sales during the year due to slow-moving and obsolete inventories.

There is no material difference between the balance sheet amount and the replacement cost of inventories.

15. Debtors

	2016	2015
	£'000	£'000
Trade debtors	1,917	1,755
Amounts owed by group undertakings	36,577	32,930
Other debtors	1,067	1,611
Deferred tax asset (see note 18)	45	65
Prepayments and accrued income	186	196
	<u>39,792</u>	<u>36,557</u>

Amounts falling due after more than one year included above are:

	2016	2015
	£'000	£'000
Amounts owed by group undertakings	<u>20,376</u>	<u>22,875</u>

The directors have produced forecasts that support the recoverability of the deferred tax asset.

An impairment gain of £48,000 (2015: loss £66,000) was recognised against trade debtors.

Loans to group undertakings are unsecured, repayable on demand and bear commercial rates of interest.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

16. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	6,698	5,696
Amounts owed to group undertakings	4,081	2,382
Other taxation and social security	508	1,013
Corporation tax	161	172
Other creditors	445	380
Obligations under finance leases and hire purchase contracts	5	-
Accruals and deferred income	498	255
	<u>12,396</u>	<u>9,898</u>

Amounts owed to group undertakings are unsecured, repayable on demand and bear commercial rates of interest.

17. Creditors: amounts falling due after more than one year

	2016	2015
	£'000	£'000
Obligations under finance leases and hire purchase contracts:		
Amounts due in 2 to 5 years	10	-
	<u>10</u>	<u>-</u>

18. Deferred taxation

	2016	2015
	£'000	£'000
Asset at beginning of year	65	86
Charge to the profit and loss account for the year	(20)	(21)
Asset at end of year	<u>45</u>	<u>65</u>

The deferred tax asset is included within debtors (see note 15).

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

18. Deferred taxation (continued)

The elements of deferred taxation are as follows:

	2016	2015
	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	34	57
Other timing differences	11	8
	<u>45</u>	<u>65</u>
Deferred tax asset	<u>45</u>	<u>65</u>

The Finance Act 2012 introduced a reduction in the main rate of corporation tax from April 2015 from 21% to 20% resulting in a rate of 20% being used to calculate the tax liability for the year ended 31 December 2016.

The Finance (No. 2) Act 2015 introduced a reduction in the main rate of corporation tax from 20% to 19% from April 2017 and from 19% to 18% from April 2020. These reductions were substantially enacted on 24 October 2015 and therefore the deferred tax asset at the balance sheet date has been calculated using a blended rate.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

19. Financial instruments

The company's financial instrument may be analysed as follows:

	2016	2015
	£'000	£'000
Financial assets		
Financial assets measured at amortised cost	39,747	36,492
Financial liabilities		
Financial liabilities measures at amortised cost	(12,406)	(9,898)
	<u>27,341</u>	<u>26,594</u>

Financial assets measured at amortised cost comprise of trade debtors, other debtors, prepayments and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise of trade creditors, taxation and social security, accruals and deferred income, other creditors and amounts owed to group undertakings.

Notes to the Financial Statements (continued)
For the year ended 31 December 2016

20. Called up share capital

	2016		2015	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of £1 each	115,000	115	115,000	115
Authorised, called up and fully paid				
Ordinary shares of £1 each	115,000	115	115,000	115

21. Reserves

Called up share capital – represents the nominal value of shares that have been issued.

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account includes all current and prior year retained profits and losses.

22. Capital and other commitments

The company had no capital commitments at 31 December 2016 or 31 December 2015.

The company had the following future minimum lease payments under non – cancellable operating leases for each of the following periods:

	2016	2015
	£'000	£'000
Payments due		
Not later than one year	776	750
Later than one year and not later than five years	2,562	2,623
Later than five years	10,465	10,365
	<u>13,803</u>	<u>13,738</u>

23. Pension scheme

The company operates a defined contribution pension scheme.

The pension cost charge for the year represents contributions payable by the company to the company pension schemes and amounted to £237,968 (2015: £197,786). There were outstanding contributions at the year end of £nil (2015: £nil).

24. Related party disclosure

The company has taken advantage of the exemption in Financial Reporting Standard 102 from the requirement to disclose transactions or balances with wholly-owned group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

Azelis UK Life Sciences Limited

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Notes to the Financial Statements (continued)

For the year ended 31 December 2016

25. Control

The company's immediate parent undertaking is Azelis UK Holdings Limited. Azelis Holdings S.A. is the ultimate parent company and controlling party.

Group financial statements are prepared by Azelis Holdings S.A. The consolidated financial statements of Azelis Holdings S.A. are available to the public and may be obtained from Alexander House, Crown Gate, Runcorn, Cheshire, WA7 2UP.

26. Contingent liabilities

The company is co-guarantor and obligor, along with Azelis UK Holdings Limited and Azelis UK Limited of the debt facility of Azelis SA at 31 December 2016.