

SAFC Biosciences Limited

Report and Financial Statements

Year Ended

31 December 2015

Company Number 3195318



SAFC Biosciences Limited

Report and financial statements for the year ended 31 December 2015

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Directors

VM Jackson
G van den Dool
Stefan Kratzer

Registered office

The Old Brickyard, New Road, Gillingham, Dorset SP8 4XT

Company number

3195318

Auditors

BDO LLP, Kings Wharf, 20-30 Kings Road, Reading RG1 3EX.

SAFC Biosciences Limited

Strategic report for the year ended 31 December 2015

The directors present the strategic report together with the audited financial statements for the year ended 31 December 2015.

Business review using key performance indicators (KPIs)

The principal activity of the company during the year was the sale and marketing of pharmaceutical and allied products. The directors aim to continue to develop the company's trading activity over the coming year.

Overall turnover increased by £4.4m during the year and the directors report a profit for the year after taxation of £2.0m (2014: £2.1m)

The company has access to operating cash balances of £18.6m through the Merck in house bank which will offer continued stability to the company.

Given the relatively straightforward nature of the business, the company's directors are of the opinion that further analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The management of the business and execution of the company strategy are subject to a number of risks. Key business risks principally relate to market competition, both from a national and international perspective.

By order of the Board



VM Jackson
Director

Date 18/8/16

SAFC Biosciences Limited

Directors' report for the year ended 31 December 2015

The directors present their report together with the audited financial statements for the year ended 31 December 2015.

Results and dividends

The statement of comprehensive income is set out on page 6 and shows the profit for the year. The directors do not recommend the payment of a dividend.

Financial instruments

The company has not entered into any financial instrument contracts in the period. The company aims to reduce financial risk by reducing exposure to risk on liquidity, cash flows, credit, and price. Liquidity risk is reduced by maintaining a strongly positive cash balance. There is limited risk exposure with regards to cash flows, as the business is strongly cash positive and is a highly cash generative business. The risk of price erosion is difficult to mitigate, however the products that the company supplies are highly regarded in the industry, which helps to maintain margin.

Directors

The directors of the company during the year were:

G van den Dool	
G Lucas	Resigned 27 th August 2015
VM Jackson	Appointed 27 th August 2015
F Oldfield	Resigned 31 st March 2016
S Kratzer	Appointed 26 th May 2016

No director had any interest in the ordinary share capital of the company. There is no qualifying third party indemnity provision for the benefit of any of the directors.

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' 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;
- 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.

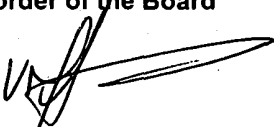
SAFC Biosciences Limited

Directors' report for the year ended 31 December 2015 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which auditors are unaware.

By order of the Board



VM Jackson
Director

Date 18/8/16

SAFC Biosciences Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFC BIOSCIENCES LIMITED

We have audited the financial statements of SAFC Biosciences Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, the balance sheet, the statement of changes of equity and the related notes. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SAFC Biosciences Limited

Independent auditor's report (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.

BDO LLP

Nick Gibb (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom

Date 18 August 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

SAFC Biosciences Limited

Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £'000	2014 As restated (Note 1) £'000
Turnover	3	34,333	29,905
Cost of sales		31,926	27,268
Gross profit		2,407	2,637
Administrative expenses		19	18
Operating profit	4	2,388	2,619
Interest receivable	7	85	94
Profit on ordinary activities before taxation		2,473	2,713
Taxation on profit on ordinary activities	8	501	591
Profit on ordinary activities after taxation		1,972	2,122
Total comprehensive income for the year		1,972	2,122

All amounts relate to continuing activities.

All recognised gains and losses in the year and prior year are included in the profit and loss account.


The notes on pages 9 to 14 form part of these financial statements.

SAFC Biosciences Limited

Balance sheet at 31 December 2015

<i>Company number 3195318</i>	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Current assets					
Stocks	9	3,225		3,298	
Debtors	10	18,668		5,706	
Cash on deposit		-		10,212	
Cash at bank and in hand		70		3,293	
		<u>21,963</u>		<u>22,509</u>	
Creditors: amounts falling due within one year	11	<u>2,780</u>		<u>5,298</u>	
Total assets less current liabilities			<u>19,183</u>		<u>17,211</u>
Capital and reserves					
Called up share capital	12	-	-	-	-
Profit and loss account			<u>19,183</u>		<u>17,211</u>
Shareholders' funds			<u>19,183</u>		<u>17,211</u>

The financial statements were approved by the Board of Directors and authorised for issue on


 VM Jackson
 Director

The notes on pages 9 to 14 form part of these financial statements.

SAFC Biosciences Limited

Statement of changes in equity at 31 December 2015

	Called up Share capital £'000	Profit and loss account £'000	Total equity £'000
1 January 2015	0	17,211	17,211
Comprehensive income for the year			
Profit for the year	0	1,972	1,972
	<hr/>	<hr/>	<hr/>
31 December 2015	0	19,183	19,183
	<hr/>	<hr/>	<hr/>
	Called up Share capital £'000	Profit and loss account £'000	Total equity £'000
1 January 2014	0	15,089	15,089
Comprehensive income for the year			
Profit for the year	0	2,122	2,122
	<hr/>	<hr/>	<hr/>
31 December 2014	0	17,211	17,211
	<hr/>	<hr/>	<hr/>

The notes on pages 9 to 14 form part of these financial statements

SAFC Biosciences Limited

Notes forming part of the financial statements for the year ended 31 December 2015

1 Accounting policies

General information

The company is a private limited company incorporated and domiciled in the UK. The address of its registered office is disclosed at the beginning of these financial statements.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and are in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

FRS 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a statement of cash flows;
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of the number of shares outstanding at the beginning and end of the year; and
- Section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total.

The company's shareholders have been notified in writing about, and do not object to the use of, the above disclosure exemptions. The company's results are included in the publicly available consolidated financial statements of Merck KGaA and these financial statements may be obtained from Frankfurter Straße 250, 64293 Darmstadt, Germany.

Turnover

Turnover represents sale of goods at invoiced amounts less value added tax and net fees for stock delivered directly to customers. Turnover is recognised at point of dispatch, unless under bill and hold terms.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on standard cost, net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to and from related parties.

SAFC Biosciences Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

Debt instruments, like loans and other accounts receivable and payable, are initially measured at the present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the average rate for the year. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All exchange differences are taken to the profit and loss account.

Prior Year Adjustment:

In preparing these financial statements the directors determined that turnover and cost of sales in respect of goods delivered directly to customers was incorrectly allocated in prior periods. As a result revenue should be recognised as a net fee of 8.5% of stock value. The comparative figures for the year ended 31 December 2014 have been restated accordingly with revenue and cost of sales reduced by £2,596,000. This has had no impact on the gross profit.

2 Judgements in applying accounting policies and key sources of 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.

Critical judgements made in applying the entity's accounting policies are as follows:

(i) Stocks (see note 9)

Stocks are stated at the lower of cost and net realisable value. Cost is based on standard cost and net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. If stock is deemed to be impaired an estimate is made of the value of the impairment and the carrying amount is reduced to selling price less costs to complete and sell.

SAFC Biosciences Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

3 Analysis of Turnover

Turnover comprises the invoice value of sales, excluding sales taxes and trade discounts, made in respect of the company's continuing principal activity.

Analysis of by class of business

	2015 £'000	2014 £'000
Pharmaceutical & Allied Products	34,143	29,739
Commissions	190	166
	<u>34,333</u>	<u>29,905</u>

Analysis of turnover by geographical market is given below:

	2015 £'000	2014 £'000
United Kingdom	1,698	931
Rest of Europe	32,635	28,974
	<u>34,333</u>	<u>29,905</u>

4 Operating profit

This is stated after charging:

	2015 £'000	2014 £'000
Auditors' remuneration	17	16
Net (gain) / loss on foreign currency translation	(5)	(8)
	<u></u>	<u></u>

5 Employees

The average number of employees during the year was nil (2014: nil)

6 Directors

No directors' remuneration was incurred during the year (2014 - Nil). Certain directors of the company are also directors or officers of other subsidiary companies of Merck KGaA, Darmstadt. The directors' services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the company for the year ended 31 December 2015 (2014 - Nil).

SAFC Biosciences Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 (*continued*)

7 Interest receivable

	2015 £'000	2014 £'000
Bank interest receivable	85	94

8 Taxation on profit on ordinary activities

	2015 £'000	2014 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	501	584
Adjustment in respect of previous years	-	7
	<u>501</u>	<u>591</u>
Taxation on profit on ordinary activities	501	591

The differences between the tax assessed for the year and the standard rate of corporation tax in the UK are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	2,473	2,713
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5 %)	501	584
Effects of:		
Adjustment to tax charge in respect of previous years	-	7
	<u>501</u>	<u>591</u>
Current tax charge for year	501	591

9 Stocks

	2015 £'000	2014 £'000
Finished goods	3,225	3,298

There is no material difference between the replacement cost of stocks and the amounts stated above.

SAFC Biosciences Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 (*continued*)

10 Debtors

	2015 £'000	2014 £'000
Amounts owed by group undertakings	-	5,635
Amounts owed by in house bank	18,543	-
VAT	125	71
	<u>18,668</u>	<u>5,706</u>

All amounts shown under debtors fall due for payment within one year. The balance with Merck Financial Services, the in house bank, is payable on demand.

11 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	355	273
Amounts owed to group undertakings	2,058	4,624
Corporation tax	349	383
Accruals and deferred income	18	18
	<u>2,780</u>	<u>5,298</u>

12 Share capital

	2015 Number	2015 £000	2014 Number	2014 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>

13 Reserves

The profit and loss account represents cumulative profits, losses and total other recognised gains or losses made by the company, less distributions made to the parent company.

SAFC Biosciences Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

14 Ultimate parent company

The only group in which the results of the Company are consolidated is that headed by Merck KGaA, the ultimate parent undertaking, incorporated in Darmstadt, Germany, whose principal place of business is at Frankfurter Straße 250, 64293 Darmstadt, Germany.

The consolidated accounts are available to the public from this address.

15 First time adoption of FRS102

This is the first year that the company has prepared its financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The last financial statements prepared in accordance with accounting standards previously applicable in the UK and the Republic of Ireland were for the year ended 31 December 2014. The date of the transition to FRS 102 was 1 January 2014. There are no changes to previously reported profit or loss and equity between the previous accounting framework and FRS 102.