

**International Flavours & Fragrances
I.F.F. (Great Britain) Limited
(Registered Number: 00214174)**

Directors' Report and Financial Statements

For the year ended 1 January 2016

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International Flavours & Fragrances I.F.F. (Great Britain) Limited

Directors' Report and Financial Statements

For the year ended 1 January 2016

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International Flavours & Fragrances I.F.F. (Great Britain) Limited

Strategic report for the year ended 1 January 2016

The directors present their strategic report on the company for the year ended 1 January 2016.

Business Review

The trading results for the year are shown in the income statement on page 9. The Company has continued to trade profitably, with improvements in both gross profit (up by £ 0.2 million (+0.5%)) and operating profit (up by £ 1.0 million (+ 4.9%)).

The flavour and fragrance markets are of a mature nature, particularly in the western hemisphere, with a number of manufacturers of varying sizes not just in the UK, but globally. The market remains highly competitive with a number of significant players.

In total terms turnover fell by £ 3.4 million (3.1%) when compared to 2014 though favourable product mix and continued cost constraint resulted in the profit improvements noted above. This being said profit margins continue to be put under pressure both from customers and competitors, particularly those with manufacturing facilities in emerging economies and the Asia-Pacific region. The net assets of the company including pension liability were £ 108.1 million (2014: £ 104.2 million).

Future Developments

As was the case in 2015, the market environment in 2016 is expected to continue to be highly competitive with further pressure on margins. This being said the Directors are of the view that the Company is well positioned to continue to perform well and as a result achieve an acceptable level of performance.

Principal Risks and Uncertainties

Management believe the following risks affect the Company:

Competition/consolidation

As mentioned above, the flavour and fragrance markets are mature in the United Kingdom with many competitors, particularly in the flavour market, of varying sizes that threaten the continued sales of the company. Consolidation of competition and the emergence of chemical plants in emerging economies continue to threaten the maintenance of sales levels and also apply constant downward pressure on margins.

In order to mitigate this risk, the Company has implemented some process improvement programmes, in particular in relation to manufacturing and customer service.

Legislation/Regulatory

The Company spends considerable time monitoring changes to legislation by the regulatory bodies (e.g. Flavour ingredient contamination testing and environmental impact) in order to avoid using any prohibited substances. Similarly, the impact of a change to approved ingredients could render many products obsolete and as a result, the Company constantly researches and develops alternate products using natural flavourings.

Changes to environmental regulations are monitored closely to ensure that our chemical manufacturing process does not unduly impact the environment.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Strategic report for the year ended 1 January 2016 (continued)

Principal Risks and Uncertainties (continued)

Supply Chain

Sourcing quality raw materials (natural or otherwise) is of major concern and the Company has recently invested in highly accurate testing equipment to ensure the quality of purchased materials and finished goods.

The availability of raw materials can be impacted greatly by natural disasters (e.g. Vanilla) thereby driving up price and further pressurising margins.

The Company mitigates this risk through the International Flavor & Fragrances Inc. group's Global Strategic Sourcing team who procure raw materials for all affiliates worldwide, carefully selecting suppliers and agreeing terms therewith.

Retention of key staff

The Company employs a number of key employees (e.g. perfumers, flavourists and global account managers) whose skills are in great demand from competitors.

In order to retain these key employees, the Company believes that it provides appropriate incentives and rewards, whilst providing them with the necessary environment and resources to allow them to excel in their positions.

Key Performance Indicators

The Company's management evaluates performance on an on-going basis paying attention to a large number of performance criteria. Included within this review are a number of KPI's which are closely monitored including;

- Sales
- Gross Profit / Margin

The Company saw a slight decrease in its Gross Sales of £3,352,000 (3.1%) but Gross Margin increased from 35.5% to 36.9%.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effect of credit risk, liquidity risk, foreign currency risk and interest rate cash flow risk.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales over a certain credit limit are made.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Company can meet liabilities as they fall due.

Foreign currency risk

The Company procures supplies from across the globe and pays for the goods in a variety of currencies. The Company does not use derivatives to manage this risk, as exposure is managed at a regional level by the International Flavours & Fragrances Inc. group.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Strategic report for the year ended 1 January 2016 (continued)

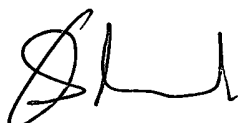
Financial risk management (continued)

Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. All loans with and to other IFF group companies are subject to variable interest rates. Bank balances and loans are subject to variable interest rates.

The directors will revisit the appropriateness of the above policies should the operations of the Company change in size or nature.

The strategic report is approved by the board and signed on behalf of the board:

A handwritten signature in black ink, appearing to be 'KH' followed by a stylized flourish.

Keith Hammond

Director

Date 22nd August 2016

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Directors' report for the year ended 1 January 2016

The directors present their report and audited financial statements for the company for the year ended 1 January 2016.

For the purpose of the financial statements the term 'year' represents the 364 days to 1 January 2016.

Principal activities

The principal activity of International Flavours & Fragrances I.F.F. (Great Britain) Limited (the Company) is the development, manufacture and sale of fragrance ingredients and flavourings. The Company is a member of the International Flavors & Fragrances Inc. group.

Dividends

An interim dividend of £10,000,000 was paid during the year (2014: £10,000,000). No final dividend is proposed by the directors (2014: £nil).

Directors

The directors who held office during the year under review and up to the date of signing these financial statements are listed below:

S Olive

J Fox

K Hammond

R Berry (resigned 23 June 2016)

Employees

We fully realise that our employees wish to be informed and consulted on matters affecting their work and to be involved in problem-solving affecting their own areas of interest and responsibility. The Company is firmly committed to a policy of good communication at all levels and, in order to encourage understanding of the financial performance of the Company, a presentation of the group's results is made to employees once a year and local results in particular are illustrated and explained. We aim to establish a climate which constantly encourages the open flow of information and ideas.

Certain employees of the Company are eligible to participate in the International Flavors and Fragrances Inc. group global employee stock purchase plan.

Any applications for employment from disabled persons are considered on their merits and regard is paid only to the ability of an applicant to carry out satisfactorily the functions required. The same policy is adopted when considering career development. If an employee becomes disabled while in employment, all due consideration would be given to continued employment whether in the same or in an alternative capacity, and training would be given where necessary.

Research and development

Research and development programmes to improve and develop new products continue to be important activities for the Company. Research and development expenditure is written off in the year in which it is incurred. During the year these costs amounted to £4,892,000 (2014: £4,796,000).

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Directors' report for the year ended 1 January 2016 (continued)

Directors indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchase and maintain throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Provision of information to independent auditors

So far as each of 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 ought to have been taken as directors in order to make themselves aware of any audit information and to establish that the company's auditors are aware of that information.

Statement of directors' responsibilities

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

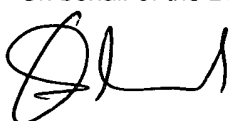
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

On behalf of the Board



K Hammond
Director

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Independent auditors' report to the members of International Flavours & Fragrances I.F.F. (Great Britain) Limited

Report on the financial statements

Our opinion

In our opinion, International Flavours & Fragrances I.F.F. (Great Britain) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 1 January 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 Directors' Report and Financial Statement (the "Annual Report"), comprise:

- the Statement of Financial Position as at 1 January 2016;
- the Income Statement and Statement of Comprehensive Income 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 matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the year ended 1 January 2016 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Independent auditors' report to the members of International Flavours & Fragrances I.F.F. (Great Britain) Limited (continued)

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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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 parent 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.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Independent auditors' report to the members of International Flavours & Fragrances I.F.F. (Great Britain) Limited (continued)

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.



Andy Grimbley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich

26 August 2016

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Income Statement

For the year ended 1 January 2016

| | Note | 2015 £'000 | 2014 £'000 |
|---|------|-----------------|---------------|
| Turnover | 5 | 104,775 | 108,127 |
| Cost of sales | | (66,139) | (69,697) |
| Gross profit | | 38,636 | 38,430 |
| Distribution costs | | (7,955) | (7,707) |
| Administrative expenses | | (12,540) | (13,211) |
| Other operating income | 6 | 6,757 | 6,603 |
| Other operating expenses | 7 | (3,535) | (3,763) |
| Profit on ordinary activities before interest and taxation | 8 | 21,363 | 20,352 |
| Other interest receivable and similar income | 9 | 1,269 | 348 |
| Interest payable and similar charges | 10 | (190) | (138) |
| Other finance (costs)/income | 24 | (168) | 5,811 |
| Profit on ordinary activities before taxation | | 22,274 | 26,373 |
| Tax on profit on ordinary activities | 13 | (4,534) | (5,511) |
| Profit for the financial year | | 17,740 | 20,862 |

The above results arise from continuing operations.

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

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Statement of Comprehensive Income

For the year ended 1 January 2016

| | Note | 2015 £'000 | 2014 £'000 |
|--|------|-----------------------------|-----------------------------|
| Profit for the financial year | | 17,740 | 20,862 |
| Actuarial loss recognised in the pension scheme | 24 | (4,692) | (14,187) |
| Movement on deferred tax relating to pension schemes | 20 | 891 | 2,838 |
| Total comprehensive income for the financial year | | <u>13,939</u> | <u>9,513</u> |

All activities derive from continuing operations

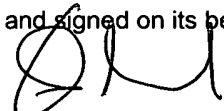
International Flavours & Fragrances I.F.F. (Great Britain) Limited

Statement of Financial Position

As at 1 January 2016

| | Note | 2015 £'000 | 2014 £'000 |
|--|------|-----------------------|-----------------------|
| Fixed Assets | | | |
| Intangible assets | 15 | - | - |
| Tangible assets | 16 | 9,499 | 10,149 |
| Current Assets | | | |
| Stocks | 17 | 12,863 | 12,371 |
| Debtors - amounts falling due within one year | 18 | 28,749 | 29,088 |
| Debtors - amounts falling due after more than one year | 18 | 1,644 | 2,681 |
| Cash at bank and in hand | | 78,319 | 83,628 |
| | | <u>121,575</u> | <u>127,768</u> |
| Creditors: amounts falling due within one year | 19 | <u>(18,757)</u> | <u>(22,100)</u> |
| Net Current assets | | <u>102,818</u> | <u>105,668</u> |
| Total assets less current liabilities | | <u>112,317</u> | <u>115,817</u> |
| Provisions for liabilities | 20 | <u>(1,170)</u> | <u>(1,128)</u> |
| Net assets excluding pension liability | | <u>111,147</u> | <u>114,689</u> |
| Pension liability | 24 | <u>(3,011)</u> | <u>(10,467)</u> |
| Net assets | | <u><u>108,136</u></u> | <u><u>104,222</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 689 | 689 |
| Share premium account | 22 | 32,674 | 32,674 |
| Other reserves | 22 | 571 | 596 |
| Profit and loss account | 22 | 74,202 | 70,263 |
| Total shareholders' funds | | <u><u>108,136</u></u> | <u><u>104,222</u></u> |

The financial statements on pages 9 to 40 were approved by the board of directors on 22nd August 2016 and signed on its behalf by:



K Hammond
Director

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Statement of Changes in Equity

For the year ended 1 January 2016

| | Called up share capital £'000 | Share premium account £'000 | Other reserves £'000 | Profit and loss account £'000 | Total Shareholders fund £'000 |
|--|--|--------------------------------------|----------------------------|--|--|
| At 28 December 2013 | 689 | 32,674 | 579 | 70,750 | 104,692 |
| Profit for the financial year | - | - | - | 20,862 | 20,862 |
| Dividends paid | - | - | - | (10,000) | (10,000) |
| Actuarial loss on pension scheme | - | - | - | (14,187) | (14,187) |
| Movement on deferred tax relating to recoverable surplus of pension scheme | - | - | - | 2,838 | 2,838 |
| Movement on reserve for share based payments (note 23) | - | - | 17 | - | 17 |
| At 3 January 2015 | 689 | 32,674 | 596 | 70,263 | 104,222 |
| Profit for the financial year | - | - | - | 17,740 | 17,740 |
| Dividends paid | - | - | - | (10,000) | (10,000) |
| Actuarial loss on pension scheme | - | - | - | (4,692) | (4,692) |
| Movement on deferred tax relating to recoverable surplus of pension scheme | - | - | - | 891 | 891 |
| Movement on reserve for share based payments (note 23) | - | - | (25) | - | (25) |
| At 1 January 2016 | 689 | 32,674 | 571 | 74,202 | 108,136 |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016

1 Company information

International Flavours & Fragrances I.F.F. (Great Britain) Limited is a private limited company incorporated in England and Wales. The Registered Office is Duddery Hill, Haverhill, Suffolk, CB9 8LG.

2 Statement of compliance with FRS 102

These financial statements of International Flavours & Fragrances I.F.F. (Great Britain) Limited have been prepared in accordance with applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

3 Accounting policies

Basis of accounting

These financial statements are prepared on a going concern basis, under the historical cost convention.

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 Company 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.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 30 for an explanation of the transition.

The financial statements are presented in Sterling (£).

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover

Turnover represents the invoiced value of goods and services supplied, exclusive of value added tax and trade discounts. Turnover is recognised when the risks and rewards are considered to have transferred; the amount can be reliably measured; and when it is probable that future economic benefits will flow to the company. This may be upon shipment, completion of the product or based on specific contract terms.

Income from investments in subsidiary and associated undertakings

Other operating income is derived from dividends remitted from its subsidiary undertakings and is accounted for only when received.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

3 Accounting policies (continued)

Cost of sales

Cost of sales comprises all those costs directly incurred by the Company, including depreciation and an appropriate proportion of overheads, in order to bring each product sold to its saleable condition.

Research and development

Expenditure on research and development is charged to the income statement in the year in which it is incurred.

Leasing

Rentals due under operating leases are charged to the income statement on a straight line basis over the lease term. The Company has no assets held under finance leases.

Fixed asset investment in subsidiary and associated undertakings

Investments in subsidiary and associated undertakings are stated initially at cost. Where they have been revalued upwards in prior years, are stated at their revalued amount. Investment carrying values are reviewed on a regular basis and provision made for any impairment in value.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all fixed assets, other than freehold land which is not depreciated, to write-off their cost, less any estimated residual values, on a straight-line basis over their expected useful economic lives. The depreciation rates used are as follows:

| | % |
|-------------------------------|-------------|
| Freehold buildings | 3.33 |
| Leasehold improvements | 10 |
| Plant, machinery and vehicles | 10 to 33.33 |
| Fixtures and fittings | 10 to 20 |

Assets in the course of construction are not depreciated until they are available for use.

Goodwill

Goodwill arising on acquisitions of businesses represents the excess of consideration given over the fair value of the identifiable net assets acquired and is capitalised and eliminated by amortisation through the income statement over its useful economic life. A useful economic life is assigned to each component of the overall goodwill balance, upon its generation, based upon the circumstances in existence at that point in time. This is reviewed at the end of each reporting year, and revised if necessary.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

3 Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost, on a weighted average basis, and net realisable value. Manufactured stocks and work in progress are valued at material cost plus an appropriate proportion of production overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Stocks are reviewed on a monthly basis for any items which are obsolete or slow moving, and a provision made accordingly.

Provisions for liabilities

Provision is only made for liabilities of the Company when there is a legal or constructive obligation as a result of a past event, which can be reliably estimated, and where transfer of economic benefits is probable.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rate ruling at the statement of financial position date. Exchange gains and losses are taken to the income statement.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 a non-discounted basis.

Financial instruments

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

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

3 Accounting policies (continued)

Financial instruments (continued)

Financial assets:

Basic financial assets, including trade and other receivables, cash and bank balances, 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.

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.

Financial liabilities:

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies, 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.

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

Group financial statements

The Company has taken advantage of section 401 of the Companies Act 2006 not to prepare consolidated financial statements as its subsidiaries are included in the consolidated financial statements of International Flavors and Fragrances Inc., its ultimate parent undertaking. Copies of these financial statements are available from the company secretary at Duddery Hill, Haverhill, Suffolk, CB9 8LG.

Pensions

Defined benefit scheme

The Company operates two defined benefit pension schemes – the IFF (GB) Pension and Life Assurance Plan and the Bush Boake Allen Pension Scheme – which are funded by both employers and employees contributions. Both schemes are closed to new entrants and to further accrual. The obligations of the defined benefit schemes are measured at discounted present value while scheme assets are measured at their fair value. The operating and financing costs of such plans are recognised separately in the income statement. Actuarial gains and losses arising from either experiences differing from previous actuarial assumptions or changes to those assumptions are recognised immediately in the statement of comprehensive income.

The asset on the Bush Boake Allen Pension Scheme, which is closed to further accrual, has not been recognised on the basis that the company cannot access the asset to generate future economic benefits, through either reduced contributions in respect of future service or refunds from the pension scheme.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

3 Accounting policies (continued)

Pensions (continued)

Defined contribution scheme

The Company also operates a defined contribution pension scheme which is open to new employees. Costs of contributions made by the Company are recognised in the income statement as they fall due.

Post retirement benefits other than pensions

The costs of post retirement benefits other than pensions have been provided for in accordance with the recommendations of an independent actuary.

Share based payments

The parent company, International Flavors & Fragrances Inc., operates a share based payment scheme under which the entity receives services from employees as consideration for equity instruments (restricted stock units) of the parent company. The fair value of the employee services provided by UK employees received in exchange for the grant of the restricted stock units is recognised as an expense in the International Flavours & Fragrances I.F.F. (Great Britain) Limited financial statements.

The total amount expensed is determined by reference to the fair value of the restricted stock units granted as adjusted for any forfeitures or cancellations. The total expense is recognised over the vesting period. Any revision to original estimates is recognised in the income statement with a corresponding adjustment to equity.

Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following exemptions:

The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d) to prepare a statement of cash flows;

The requirements of Section 11 paragraphs 11.39 to 11.48(a) and Section 12 paragraphs 12.26 to 12.29A, regarding disclosures for financial liabilities and assets, as the equivalent disclosures required by FRS 102 are included in the consolidated financial statements of the group in which the entity is consolidated;

From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7; and

The requirement of Section 33 Related Party Disclosures paragraph 33.9 to disclose related party transactions within other members of the Group.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

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.

Critical judgements in applying the entity's accounting policies

Share-based payments

The company's employees have been granted restricted stock units by the ultimate parent company. The total amount expensed is determined by reference to the fair value of the restricted stock units granted as adjusted for any forfeitures or cancellations. The total expense is recognised over the vesting period. Any revision to original estimates is recognised in the income statement with a corresponding adjustment to equity.

Critical 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:

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 16 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

Inventory provisioning

The company is subject to changing consumer demands and trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 17 for the net carrying amount of the inventory and associated provision.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 24 for the disclosures relating to the defined benefit pension scheme.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

5 Turnover

| | 2015 £'000 | 2014 £'000 |
|---|----------------|----------------|
| Geographical analysis of turnover by destination | | |
| United Kingdom | 30,643 | 30,537 |
| Europe, Africa and Middle East | 44,601 | 50,945 |
| North and Latin America | 18,835 | 18,183 |
| Asia | 10,587 | 8,314 |
| Rest of the World | 109 | 148 |
| | <u>104,775</u> | <u>108,127</u> |

Turnover by origin is primarily derived from activities in the United Kingdom

| | 2015 £'000 | 2014 £'000 |
|-----------------------------|----------------|----------------|
| Analysis by activity | | |
| Flavours | 63,966 | 69,794 |
| Fragrances | 40,809 | 38,333 |
| | <u>104,775</u> | <u>108,127</u> |

6 Other operating income

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Commissions receivable from group undertakings | 6,472 | 6,211 |
| Royalties and other income | 285 | 392 |
| | <u>6,757</u> | <u>6,603</u> |

7 Other operating expenses

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Commissions payable to group undertakings | 2,785 | 3,024 |
| Licence fees payable to group undertakings | 750 | 739 |
| | <u>3,535</u> | <u>3,763</u> |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

8 Profit on ordinary activities before interest and taxation

The profit on ordinary activities before interest and taxation is stated after:

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Depreciation | | |
| - Owned assets | 1,460 | 1,515 |
| Operating leases | | |
| - Plant, machinery and vehicles | 493 | 463 |
| - Other | 182 | 197 |
| Research and development expenditure | 4,892 | 4,796 |
| Impairment of inventory | 41 | 172 |
| Inventory recognised as an expense | 46,637 | 47,647 |
| Exchange loss on foreign currency | 98 | 114 |
| Auditors' remuneration | | |
| - Fees payable to the company auditors for the audit of the company financial statements | 95 | 89 |
| - Fees payable to the company auditors for tax services | 9 | 13 |

9 Other interest receivable and similar income

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Interest receivable from third parties | 1,269 | 210 |
| Interest receivable on loans to group companies | - | 138 |
| | <u>1,269</u> | <u>348</u> |

10 Interest payable and similar charges

| | 2015 £'000 | 2014 £'000 |
|------------------------------------|---------------|---------------|
| Interest payable on bank overdraft | 190 | 138 |
| | <u>190</u> | <u>138</u> |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

11 Directors' emoluments

Remuneration in respect of directors was as follows:

| | 2015 £'000 | 2014 £'000 |
|----------------------|---------------|---------------|
| Aggregate Emoluments | 552 | 483 |
| | <u>552</u> | <u>483</u> |

Retirement benefits are accruing to three (2014: three) directors under a defined benefit scheme. No contributions to defined contribution pension schemes were made by the company on behalf of the directors. Three directors had restricted stock units that vested during the year (2014: three). Four directors (2014: four) have been granted further restricted stock units under long-term incentive schemes that are due to vest in the next three years.

The amounts set out above include remuneration in respect of the highest paid director as follows:

| | 2015 £'000 | 2014 £'000 |
|------------|---------------|---------------|
| Emoluments | 239 | 244 |
| | <u>239</u> | <u>244</u> |

The accrued annual pension at the end of the year in respect of the highest paid director is £57,343 (2014: £57,343)

12 Employee information

Staff costs during the year were as follows:

| | 2015 £'000 | 2014 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 13,089 | 13,931 |
| Social security costs | 1,427 | 1,415 |
| Other pension costs | 1,769 | 3,304 |
| Share based payments | 307 | 296 |
| | <u>16,592</u> | <u>18,946</u> |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

12 Employee information (continued)

The average number of employees employed by the company during the year was:

| | 2015 Number | 2014 Number |
|--|----------------|----------------|
| Administrative, technical and clerical | 139 | 143 |
| Operatives | 150 | 154 |
| | <u>289</u> | <u>297</u> |

13 Tax on profit on ordinary activities

The tax charge is based on the profit on ordinary activities and represents:

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| UK Corporation tax on profits for the year | 2,582 | 3,591 |
| Adjustments in respect of previous periods | (12) | 96 |
| Overseas tax | 36 | 39 |
| Total current tax | 2,606 | 3,726 |
| Deferred taxation: origination and reversal of timing differences | 1,767 | 1,897 |
| Deferred taxation: adjustments in respect of previous periods | 27 | (112) |
| Deferred taxation: changes in tax rates | 134 | - |
| Tax on results on ordinary activities | 4,534 | 5,511 |

The tax charge for the financial year differs (2014: differs) from the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). The differences are explained below:

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

13 Tax on profit on ordinary activities (continued)

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation | 22,274 | 26,373 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%) | 4,510 | 5,670 |
| Expenses not deductible for tax purposes | (10) | (1) |
| Adjustments in respect of previous periods | 15 | (16) |
| Difference in tax rates | 19 | (142) |
| Tax on profit on ordinary activities | 4,534 | 5,511 |

The standard rate of UK Corporation Tax reduced from 21% to 20% on 1 April 2015. The Finance Act 2015, which received Royal Assent on 26 March 2015, states that this rate will not change for financial year 2016. Deferred tax has been calculated accordingly in these financial statements.

In his budget of 8 July 2015, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position. These additional changes will reduce the standard rate of UK corporation tax from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. These proposed changes were substantively enacted at the balance sheet date as part of the Summer Finance Bill 2015 on 26 October 2015 and consequently, their effects are included in these financial statements.

14 Dividends

Dividends of £10,000,000 (2014: £10,000,000) have been paid during the year. This represents a dividend of £14.52 (2014: £14.52) per share.

15 Intangible assets

| | Goodwill £'000 |
|---|-------------------|
| Cost: | |
| As at 3 January 2015 and 1 January 2016 | 1,868 |
| Provision for impairment | |
| As at 3 January 2015 and 1 January 2016 | (1,868) |
| Net Book Value: | |
| As at 3 January 2015 and 1 January 2016 | - |

Goodwill arose upon the transfer of the trade, assets and liabilities from Bush Boake Allen Limited to the Company on 28 April 2001. The goodwill arising was amortised over a two year period.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

16 Tangible assets

| | Freehold land and buildings £'000 | Leasehold Imprs £'000 | Plant, machinery and vehicles £'000 | Fixtures and fittings £'000 | Assets in course of construction £'000 | Total £'000 |
|---------------------------------|--|-----------------------------|--|--------------------------------------|---|----------------|
| Cost | | | | | | |
| At 3 January 2015 | 9,746 | 443 | 43,670 | 1,639 | 280 | 55,778 |
| Additions | - | - | - | - | 810 | 810 |
| Transfers | 156 | - | 674 | 9 | (839) | - |
| At 1 January 2016 | 9,902 | 443 | 44,344 | 1,648 | 251 | 56,588 |
| Accumulated Depreciation | | | | | | |
| At 3 January 2015 | 5,881 | 411 | 37,987 | 1,350 | - | 45,629 |
| Charge for year | 354 | 32 | 1,034 | 40 | - | 1,460 |
| At 1 January 2016 | 6,235 | 443 | 39,021 | 1,390 | - | 47,089 |
| Net book value | | | | | | |
| At 3 January 2015 | 3,865 | 32 | 5,683 | 289 | 280 | 10,149 |
| At 1 January 2016 | 3,667 | - | 5,323 | 258 | 251 | 9,499 |

17 Stocks

| | 2015 £'000 | 2014 £'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables | 4,770 | 4,610 |
| Work in progress | 1,143 | 1,186 |
| Finished goods and goods for resale | 6,950 | 6,575 |
| | 12,863 | 12,371 |

Included within the stock figures above is an impairment provision of £41,000 (2014: £172,000).

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

18 Debtors

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 15,052 | 12,247 |
| Amounts owed by group undertakings | 12,401 | 13,167 |
| Other debtors | 316 | 2,516 |
| Prepayments and accrued income | 980 | 1,158 |
| | <u>28,749</u> | <u>29,088</u> |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Amounts falling due after more than one year: | | |
| Deferred Tax (note 20) | 1,072 | 587 |
| Deferred tax asset on pension liability (note 20) | 572 | 2,094 |
| | <u>1,644</u> | <u>2,681</u> |

19 Creditors

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade creditors | 8,777 | 6,999 |
| Amounts owed to group undertakings | 3,801 | 7,896 |
| Other taxation and social security | 207 | 434 |
| Corporation tax | 2,579 | 3,591 |
| Accruals and deferred income | 3,393 | 3,180 |
| | <u>18,757</u> | <u>22,100</u> |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

20 Provisions for liabilities

| | Post retirement benefits £'000 | Dilapidation provision £'000 | Employer's NIC payable on share options £'000 | Total £'000 |
|---------------------------------|---|------------------------------------|---|----------------|
| At 3 January 2015 | 706 | 224 | 198 | 1,128 |
| Charged to the income statement | 13 | 24 | 5 | 42 |
| At 1 January 2016 | 719 | 248 | 203 | 1,170 |

Provision has been made for post retirement benefits, based on an actuarial review of health and medical costs.

Provision has been made for the dilapidations relating to the London Sales office.

Provision has been made for Employer's National Insurance Contributions payable on share options in accordance with UITF 25 'National Insurance Contributions on share option gains'.

The above provisions are not expected to be utilised in the short term.

Deferred taxation

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Tax effect of timing differences due to: | | |
| Difference between capital allowances and depreciation | 244 | 468 |
| Other short term timing differences | 828 | 119 |
| Deferred tax excluding that relating to pension liability | 1,072 | 587 |
| Deferred tax asset on pension liability | 572 | 2,094 |
| | 1,644 | 2,681 |

Movements in the deferred tax recognised are as follows:

| | £'000 |
|---|--------------|
| At 3 January 2015 deferred tax asset | 2,681 |
| Amounts charged to the income statement | (1,928) |
| Credited to the statement of comprehensive income | 891 |
| Deferred tax asset at 1 January 2016 | 1,644 |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

21 Called up share capital

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 1,000,000 (2014: 1,000,000) ordinary shares of £1 each | 1000 | 1000 |
| Allotted and fully paid | | |
| 688,500 (2014: 688,500) ordinary shares of £1 each | 689 | 689 |

22 Reserves

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

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

Other reserves - represents the provision for share based payments

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

23 Share based payments

International Flavors & Fragrances Inc. operates a Restricted Stock Unit (RSU) plan under which senior management and other key employees, including employees of International Flavours & Fragrances I.F.F. (Great Britain) Limited, may be granted equity-based awards. Vesting of the RSUs is solely time-based at which point they become unrestricted stock units and the vesting period is primarily three years from the date of grant. There are no performance conditions attached to these instruments and no consideration is payable by the employee. RSUs are however subject to forfeiture if certain employment criteria are not met. The fair value of RSU awards granted has been estimated on the date of grant using the Black-Scholes option pricing model. The assumptions for the grants in 2015 and 2014 were as follows:

| | | |
|--|----------|---------|
| Grant date | 2015 | 2014 |
| Share price at grant date | \$118.10 | \$98.20 |
| Vesting period and expected life (years) | 3 | 3 |
| Expected volatility | 22.5% | 22.5% |
| Risk-free interest rate | 2.1% | 2.1% |
| Fair value per RSU | \$118.10 | \$98.20 |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

23 Share based payments (continued)

The expected volatility is based on historical volatility. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

A reconciliation of option movements over the year to 1 January 2016 is shown below. RSUs do not have an exercise price and therefore the reconciliation below shows only the number of awards, with no corresponding weighted average exercise prices.

| | 2015 | 2014 |
|--------------------------------------|----------------|----------------|
| | No. of RSUs | No. of RSUs |
| Outstanding at the start of the year | 19,255 | 21,801 |
| Granted | 4,647 | 6,003 |
| Forfeited | (2,321) | (1,440) |
| Vested | (6,967) | (7,109) |
| Outstanding at the end of the year | <u>14,614</u> | <u>19,255</u> |

The total charge for the year relating to employee share-based payment plans was £25,000 (2014: £17,000) all of which relate to both cash and equity settled share based payment transactions.

24 Pension commitments

The Company operates a defined contribution scheme and two funded defined benefit pension schemes providing benefits based on final pensionable salary; the IFF (GB) Pension and Life Assurance Plan and the Bush Boake Allen Pension Scheme. The assets of all schemes are held separately from those of the Company and are invested by independent fund managers.

The contributions to the defined benefit schemes are determined by a qualified independent actuary using the projected unit method.

The following amounts at 1 January 2016 and 2 January 2015 were measured in accordance with Financial Reporting Standard 102 (FRS102):

IFF (GB) Pension and Life Assurance Plan

The IFF (GB) Pension and Life Assurance Plan is a final salary defined benefit scheme. The scheme was closed to new entrants from 1 January 2003, and further, closed to future accrual with effect from 30 June 2014. A full actuarial valuation was carried out at 31 December 2012 and updated to 1 January 2016 by a qualified independent actuary.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

24 Pension commitments (continued)

The major financial assumptions used by the actuary were:

| | 2015 | 2014 | 2013 |
|---|-------|-------|-------|
| Discount rate | 3.70% | 3.50% | 4.50% |
| Rate of increase in salaries | N/A | N/A | 3.35% |
| Rate of increase in pensions in payment | 3.00% | 3.00% | 3.15% |
| Expected return on Plan assets | N/A | N/A | 6.17% |
| Inflation assumptions (RPI) | 3.25% | 3.05% | 2.30% |
| Inflation assumptions (CPI) | 2.25% | 1.85% | 2.10% |

The mortality assumptions used were as follows:

| | 2015 years | 2014 years |
|---|---------------|---------------|
| Life expectancy of a pensioner aged 65 | | |
| Male | 23.5 | 23.5 |
| Female | 25.7 | 25.6 |
| Life expectancy of a member currently aged 45 | | |
| Male | 25.3 | 25.3 |
| Female | 27.3 | 27.2 |

The Plan does not invest in the Company's own financial instruments, including property or other assets owned by the Company. The major categories of assets in the Plan, their value and their percentage of the total Plan assets as at 1 January 2016 were:

| | Value of Plan assets as at: 1 January 2016 £'000 | Value of Plan assets as at: 2 January 2015 £'000 |
|--|--|--|
| Equities | 49,265 | 46,588 |
| Property | 9,440 | 7,509 |
| Fixed interest - UK | | |
| Corporate Bonds Indexed - Linked Gilts | 40,274 | 43,080 |
| Hedge Fund | 11,699 | 9,688 |
| Cash | 963 | 1,116 |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

24 Pension commitments (continued)

The Directors' best estimate of contributions to be paid in the year following 1 January 2016 is £6,046,000 (2014: £6,179,000).

Statement of financial position as at 1 January

| | 2015 £'000 | 2014 £'000 | 2013 £'000 |
|-----------------------------------|----------------|-----------------|----------------|
| Present value of fund obligations | (117,416) | (119,294) | (104,855) |
| Fair value of Plan assets | 111,640 | 107,981 | 100,050 |
| Deficit in Plan | (5,776) | (11,313) | (4,805) |
| Related deferred tax liability | 1,097 | 2,263 | 961 |
| Net pension liability | (4,679) | (9,050) | (3,844) |

Analysis of amounts charged to operating profit

| | 2015 £'000 | 2014 £'000 |
|-------------------------------|---------------|---------------|
| Current service cost | - | 904 |
| Administration expenses | 412 | 737 |
| Total operating charge | 412 | 1,641 |

Analysis of amount credited to finance (costs)/income

| | 2015 £'000 | 2014 £'000 |
|--|---------------|----------------|
| Interest on Plan liabilities | 4,112 | 4,518 |
| Expected return on pension scheme assets | - | - |
| Interest on Plan assets | (3,812) | (4,479) |
| Past service cost | - | 26 |
| Curtailments | - | (5,600) |
| Total expense/(income) | 300 | (5,535) |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

24 Pension commitments (continued)

Charges in the present value of the defined benefit obligations are as follows:

| | 2015 £'000 | 2014 £'000 |
|------------------------------------|----------------|----------------|
| Opening defined benefit obligation | 119,294 | 104,855 |
| Current service costs | - | 904 |
| Employee contributions | - | 186 |
| Interest cost | 4,112 | 4,518 |
| Actuarial (gains)/losses | (2,354) | 17,812 |
| Past service cost | - | 26 |
| Gains on curtailments | - | (5,600) |
| Benefits paid | (3,636) | (3,407) |
| Closing defined benefit obligation | <u>117,416</u> | <u>119,294</u> |

Charges in the fair value of plan assets are as follows:

| | 2015 £'000 | 2014 £'000 |
|--|----------------|----------------|
| Opening fair value of Plan assets | 107,981 | 100,050 |
| Interest income on plan assets | 3,812 | 4,479 |
| Return on plan assets in excess of interest income | (2,062) | 4,494 |
| Sponsor contributions | 5,957 | 2,916 |
| Employee contributions | - | 186 |
| Actuarial gains | - | - |
| Benefits paid | (3,636) | (3,407) |
| Administration expenses | (412) | (737) |
| Closing fair value of Plan assets | <u>111,640</u> | <u>107,981</u> |

Actual return on Plan assets:

| | 2015 £'000 | 2014 £'000 |
|------------------------------|---------------|---------------|
| Actual return on Plan assets | <u>1,750</u> | <u>8,973</u> |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

24 Pension commitments (continued)

Analysis of amounts recognised in statement of comprehensive income

| | 2015 £'000 | 2014 £'000 |
|---|---------------|-----------------|
| Return on plan assets in excess of interest income | (2,062) | 4,494 |
| Experience gains arising on the Plan liabilities | 1,790 | 177 |
| Changes in assumptions underlying the present value of the Plan liabilities | 563 | (17,988) |
| Actuarial gains/(losses) recognised in the statement of comprehensive income | 291 | (13,317) |

Deficit in the Plan

| | 2015 £'000 | 2014 £'000 | 2013 £'000 | 2012 £'000 | 2011 £'000 |
|---------------------------------------|----------------|-----------------|----------------|----------------|----------------|
| Present value of the Plan liabilities | (117,416) | (119,294) | (104,855) | (98,906) | (91,399) |
| Fair value of the Plan assets | 111,640 | 107,981 | 100,050 | 92,279 | 83,589 |
| Deficit in the Plan | (5,776) | (11,313) | (4,805) | (6,627) | (7,810) |

Difference between the expected and actual return on Plan assets

| | | | | | |
|---------------------------|---------|-------|-------|-------|---------|
| Amount (£'000) | (2,062) | 4,494 | 2,058 | 4,182 | (4,716) |
| Percentage of Plan assets | (1.8%) | 4.2% | 2.1% | 4.5% | (5.6%) |

Experience gains/(losses) on Plan liabilities:

| | | | | | |
|---|-------|------|-------|------|--------|
| Amount (£'000) | 1,790 | 177 | 1,506 | 439 | (288) |
| Percentage of the present value of the Plan liabilities | 1.5% | 0.1% | 1.4% | 0.4% | (0.3%) |

Total amount recognised in the statement of comprehensive income

| | | | | | |
|---|------|----------|--------|--------|----------|
| Amount (£'000) | 291 | (13,317) | (119) | (18) | (14,854) |
| Percentage of the present value of the Plan liabilities | 0.2% | (11.2%) | (0.1%) | (0.0%) | (16.3%) |

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income is £41,639,686 (2014: £41,348,686).

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

24 Pension commitments (continued)

Bush Boake Allen Pension Scheme

The Bush Boake Allen Pension scheme is a final salary scheme which was closed to further accrual in October 2003. The last actuarial valuation was carried out at April 2012 and updated to 1 January 2016 by a qualified independent actuary. The major financial assumptions used by the actuary were:

| | 2015 | 2014 | 2013 |
|---|-------|-------|-------|
| Discount rate | 3.70% | 3.45% | 4.40% |
| Rate of increase in pensions in payment | 3.10% | 3.00% | 3.25% |
| Expected return on Plan assets | N/A | N/A | 5.46% |
| Inflation assumptions | 3.25% | 3.05% | 3.40% |

The mortality assumptions used were as follows:

| | 2015 years | 2014 years |
|---|---------------|---------------|
| Life expectancy of a pensioner aged 65 | | |
| Male | 22.4 | 22.4 |
| Female | 24.8 | 24.7 |
| Life expectancy of a member currently aged 45 | | |
| Male | 23.6 | 23.7 |
| Female | 25.4 | 25.4 |

The major categories of assets in the Plan, their percentage of the total Plan assets and their values as at 1 January 2016 were:

| | Value of Plan assets as at: 1 January 2016 £'000 | Value of Plan assets as at: 2 January 2015 £'000 |
|-----------------|--|--|
| Equities | 65,960 | 64,087 |
| Property | 1,997 | 2,861 |
| Corporate Bonds | 50,040 | 53,616 |
| Bonds | 28,081 | 52,597 |
| Buy-in Contract | 21,862 | - |
| Cash | 1,042 | 834 |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

24 Pension commitments (continued)

Statement of financial position as at 1 January

| | 2015 £'000 | 2014 £'000 | 2013 £'000 |
|-------------------------------------|---------------|---------------|---------------|
| Present value of fund obligations | (166,217) | (173,149) | (154,503) |
| Fair value of Plan assets | 168,982 | 173,995 | 160,816 |
| Surplus in Plan | 2,765 | 846 | 6,313 |
| Related deferred tax | (525) | (169) | |
| Irrecoverable surplus | - | - | (6,313) |
| Net recognised pension asset | 2,240 | 677 | - |

The Company's best estimate of contributions to be paid in the year following 1 January 2016 is £3,962,000 (2014: £7,423,000).

Analysis of amounts charged to operating profit

| | 2015 £'000 | 2014 £'000 |
|-------------------------------|---------------|---------------|
| Contribution to Plan expenses | 560 | 634 |
| Total operating charge | 560 | 634 |

Analysis of amount credited to finance income

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Interest on Plan liabilities | 5,840 | 6,642 |
| Expected return on pension scheme assets | - | - |
| Interest on Plan assets | (5,972) | (6,918) |
| Total income | (132) | (276) |

Charges in the present value of the defined benefit obligations are as follows:

| | 2015 £'000 | 2014 £'000 |
|---|----------------|----------------|
| Opening defined benefit obligation | 173,149 | 154,503 |
| Expenses incurred by the Plan | 560 | 634 |
| Interest cost | 5,840 | 6,642 |
| Actuarial (gains)/losses | (4,196) | 20,606 |
| Benefits paid | (9,136) | (9,236) |
| Closing defined benefit obligation | 166,217 | 173,149 |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

24 Pension commitments (continued)

Charges in the fair value of plan assets are as follows:

| | 2015 £'000 | 2014 £'000 |
|--|----------------|----------------|
| Opening fair value of Plan assets | 173,995 | 160,816 |
| Expected return | - | - |
| Interest income | 5,972 | 6,918 |
| Company contributions to expenses incurred by the Plan | 7,330 | 2,074 |
| Actuarial (losses)/gains | (9,179) | 13,423 |
| Benefits paid | (9,136) | (9,236) |
| Closing fair value of Plan assets | <u>168,982</u> | <u>173,995</u> |

Actual return on Plan assets:

| | 2015 £'000 | 2014 £'000 |
|------------------------------|----------------|---------------|
| Actual return on Plan assets | <u>(3,207)</u> | <u>20,341</u> |

Analysis of amounts recognised in statement of comprehensive income

| | 2015 £'000 | 2014 £'000 |
|--|----------------|---------------|
| Actual return less expected return on Plan assets | (9,179) | 13,423 |
| Gains/(losses) arising on the Plan liabilities | 4,196 | (20,606) |
| Impact of changes in irrecoverable surplus | - | 6,313 |
| Actuarial losses recognised in the statement of comprehensive income | <u>(4,983)</u> | <u>(870)</u> |

History of Plan Experience

| | 2015 £'000 | 2014 £'000 | 2013 £'000 | 2012 £'000 | 2011 £'000 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Present value of the Plan liabilities | (166,217) | (173,149) | (154,503) | (156,896) | (152,698) |
| Fair value of the Plan assets | 168,982 | 173,995 | 160,816 | 165,609 | 159,609 |
| (Deficit)/surplus in the Plan | <u>2,765</u> | <u>846</u> | <u>6,313</u> | <u>8,713</u> | <u>6,911</u> |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

24 Pension commitments (continued)

Difference between the expected and actual return on Plan assets:

| | | | | | |
|---------------------------|---------|--------|---------|-------|-------|
| Amount (£'000) | (9,179) | 13,423 | (5,807) | 5,750 | 3,530 |
| Percentage of Plan assets | (5.4%) | 7.7% | (3.6%) | 3.5% | 2.2% |

Experience adjustment on Plan liabilities:

| | | | | | |
|---|------|-------|------|-------|---------|
| Amount (£'000) | 514 | 1,446 | 79 | 1,984 | (7,670) |
| Percentage of the present value of the Plan liabilities | 0.3% | 0.8% | 0.1% | 1.3% | (5.0%) |

Total actuarial (losses)/gains on obligation:

| | | | | | |
|---|-------|----------|-------|---------|----------|
| Amount (£'000) | 4,196 | (20,606) | 2,313 | (4,511) | (10,284) |
| Percentage of the present value of the Plan liabilities | 2.5% | (11.9%) | 1.5% | (2.9%) | (6.7%) |

Post retirement benefits

IFF GB Ltd provides health care benefits to certain retired employees. This scheme has now been discontinued but still applies to retired members. Provision has been made for the liability of these schemes on a basis similar to that used to determine residual defined benefit pension liabilities. The principal assumptions used in determining the required provisions are an interest rate 4.3% per annum and medical costs inflation of 3.3% pa. The most recent actuarial valuation identified a deficit, which has been provided for (see note 20).

Defined Contribution Pension Scheme

The total company contributions to defined contribution pension schemes during the year 1 January 2016 was £1,208,741 (2014: £1,076,000). There were no amounts outstanding (2014: nil) at the year end in relation to the defined contributions pension scheme.

25 Contingent liabilities

The Company has a contingent liability to its bankers in respect of customs bonds and guarantees, entered into in the normal course of business, amounting to £860,000 (2014: £860,000).

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

26 Financial commitments

At 1 January 2016 the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

| | 2015 £'000 | 2014 £'000 |
|----------------------------|---------------|---------------|
| On leases expiring: | | |
| Within one year | 260 | 182 |
| Between two and five years | 310 | 299 |
| | <u>570</u> | <u>481</u> |

27 Capital commitments

Capital expenditure of £Nil (2014: £Nil) was contracted for at 1 January 2016, and not provided for in the financial statements.

28 Ultimate parent undertaking

The Company's immediate parent undertaking is International Flavors & Fragrances (GB) Holdings Limited, a Company incorporated and registered in England and Wales.

The ultimate parent undertaking and controlling party is International Flavors and Fragrances Inc., incorporated in the United States of America, which is the parent of the smallest and largest group to consolidate these financial statements. Copies of the ultimate parent company's group financial statements are available from Duddery Hill, Haverhill, Suffolk, CB9 8LG.

29 Financial assets and liabilities

| | 2015 £'000 | 2014 £'000 |
|--|----------------|----------------|
| Financial assets measured at fair value through profit or loss | | |
| - Inventories | <u>12,863</u> | <u>12,371</u> |
| Financial assets measured at amortised cost | | |
| - Tangible assets | 9,499 | 10,149 |
| - Trade debtors | 15,052 | 12,247 |
| - Amounts owed by group undertakings | 12,401 | 13,167 |
| - Other debtors | 2,368 | 4,261 |
| - Cash at bank and in hand | 78,319 | 83,628 |
| | <u>117,639</u> | <u>123,452</u> |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

29 Financial assets and liabilities (continued)

| | 2015 | 2014 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Financial liabilities measured at amortised cost | | |
| - Trade creditors | 8,777 | 6,999 |
| - Amounts owed to group undertakings | 3,801 | 7,896 |
| - Other creditors | 7,349 | 8,333 |
| - Pension liability | 2,439 | 8,373 |
| | <u>22,366</u> | <u>31,601</u> |

30 Transition to FRS 102

The company has adopted FRS 102 for the year ended 2015 and has restated the comparative prior year amounts.

Explanations

Defined benefit pension scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the income statement. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the income statement. There has been no change in the defined benefit liability as a result of this change at either 28 December 2013 or 2 January 2015.

The effect of the change has been to reduce the credit to the income statement in the year to 2 January 2015 by £2,021,000 and increase the credit in statement of comprehensive income by an equivalent amount.

Recognition of defined benefit pension scheme surplus

Under previous UK GAAP the company did not recognise an irrecoverable surplus of a pension asset in the statement of financial position. Under FRS 102 the company has taken the advantage to recognise the irrecoverable surplus within the pension liability on the statement of financial position to the extent that it is able to be recovered through reduced contributions in the future or through refunds from the plan.

The effect of this change has been to reduce the defined benefit liability at 2 January 2015 of £677,000 and increase the credit in statement of comprehensive income by an equivalent amount.

International Flavours & Fragrances I.F.F. (Great Britain) Limited

Notes to the financial statements for the year ended 1 January 2016 (continued)

30 Transition to FRS 102 (continued)

Transition to FRS 102 - reconciliations

Restated statement of financial position

| | | 2014 £'000 | 2013 £'000 |
|------------------------------------|-------------|----------------|----------------|
| Original shareholders' funds | | 103,545 | 104,692 |
| | Prev | Revised | |
| Net recognised pension asset (BBA) | - | 677 | - |
| Restated shareholders' funds | | 104,222 | 104,692 |

Restated profit or loss for the year ended 2 January 2015

| | | | £'000 |
|--|-------------|----------------|----------------|
| Original profit for the financial year | | | 22,479 |
| | Prev | Revised | |
| Current service cost (IFF) | (1,594) | (904) | 690 |
| Admin Expenses (IFF) | - | (737) | (737) |
| Operating Profit | | | (47) |
| Interest on Plan liabilities (IFF) | (4,565) | (4,518) | 47 |
| Expected return on pension scheme assets (IFF) | 6,142 | - | (6,142) |
| Interest on Plan assets (IFF) | - | 4,479 | 4,479 |
| Expected return on pension scheme assets (BBA) | 7,276 | - | (7,276) |
| Interest on Plan assets (BBA) | - | 6,918 | 6,918 |
| Financial Income | | | (1,974) |
| Taxation adjustment (47 + 1,974) @ 20% | | 20% | 404 |
| Restated profit for the financial year | | | 20,862 |

International Flavours & Fragrances I.F.F. (Great Britain) Limited

**Notes to the financial statements for the year ended 1 January 2016
(continued)**

30 Transition to FRS 102 (continued)

| | £'000 | | |
|---|--------------------|-----------------------|----------------------------|
| Original total comprehensive income for the financial year | | | 8,836 |
| | <u>Prev</u> | <u>Revised</u> | |
| Profit for the financial year | 22,479 | 20,862 | (1,617) |
| Actual return less expected return on Plan assets (IFF) | 2,831 | 4,494 | 1,663 |
| Actual return less expected return on Plan assets (BBA) | 13,065 | 13,423 | 358 |
| | | | <hr/> |
| Other Comprehensive Income | | | 2,021 |
| | | | <hr/> |
| Taxation | | 20% | (404) |
| Net recognised pension asset (BBA) | - | 846 | 846 |
| Deferred tax relating to asset (BBA) | - | (169) | (169) |
| | | | <hr/> |
| Restated total comprehensive income for the financial year | | | <u><u>9,513</u></u> |