Company Registration No. 00691403

Givaudan UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

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Givaudan UK Limited

Annual report and financial statements for the year ended 31 December 2019

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Officers and professional advisers

Directors

Mr P Parmar
Mr I Messenger

Company Secretary

Mrs C Stiffell

Actuaries

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Registered office

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Kennington Road
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TN24 0LT

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Directors' report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of the Company continues to be the production and distribution of fragrance compounds and distribution of flavour compounds and expects to continue to carry out these activities in the future.

Three operating sites based in the UK form the Givaudan UK Limited legal entity. The sites are based at Ashford, Milton Keynes and Staines. The Ashford site is the only UK site which has manufacturing activity.

Business review

The Company completed the year with strong momentum and growth. 2019 saw total revenue increase by 6%. This is a result of an increase in both affiliate and third party sales. The Company uses various key performance indicators (KPI's) on a monthly basis to assess various key areas of the business. These include safety, volume, quality and service. The main safety measure of lost time incidents (LTI) saw 1 incident for the year ended December 2019 (2018: 1 LTI), this is against a target of zero LTI's for the year. The Company strives to maintain a safe environment for all people on the UK sites and maintains one of the lowest LTI reports across the worldwide group. Production volume for the Fragrance and Oral care sites saw an increase of 1.6% during 2019 (2018: increase of 6%) and came very close to the annual volume target. This year on year increase is largely related to the mix of sales to our affiliates and third parties. Performance indicators also include quality assessments on non-conformities. Our internal quality rejection rate has seen an improvement from last year, but was slightly higher against target. The overall quality results for the year were excellent and 2019 saw a 43% reduction in critical control point non conformities since 2018 in fragrances and a 40% reduction for oral care. The service level KPI showed that 82% of all orders fulfilled requested arrival; this is compared against a very ambitious target of 95% and overall this is a very strong result.

The gross profit margin has been maintained at 7.8% from 2018. The other operating income of £28.7m received during the year is comprised of functional costs recharged to other Givaudan affiliates at an agreed mark-up. The total expenses before operating profit (not including other operating income) have increased by 4.1% during the year, mainly spread over increases in functional costs.

Overall, the operating profit of £10.8m is slightly higher when compared to the operating profit of £10.4m in 2018, which is largely attributed an increase in gross profit and other operating income. The operating profit margin has slightly decreased from 4.4% in 2018 to 4.3% in 2019. This profit is in line with management's targets. The net cash at the end of the year increased by £13.6m (2018: outflow £0.4m). The position of the company at year end can be seen in the Statement of Financial Position on page 14.

Brexit risk

Following the recent developments in Brexit during 2019, the Company has been reviewing the implications and potential impact to the business. Since the Company is part of a global group, it is working alongside a regional trade affairs team to consider the possible arrangements that it may have to put in place to mitigate any adverse impact on the raw material supply, customer service, general compliance and any cost increases from import levies.

Post Balance Sheet Events

During March 2020, the UK was affected by the worldwide spread of Covid 19. The impact of this has been assessed and the Company has seen no material impact so far and we expect the current trend in the production volume growth for fragrance compounding and distribution of flavours compounds to continue into 2020. The factory has continued production at the Ashford site and the factory personnel have adapted with the health & safety measures implemented by the Company in line with the government guidelines for the Covid 19. The factory continues to work the existing 3 shift system and some overtime and weekend work is required to maintain service levels and fulfil customer orders in consumer products. Our customer base remains strong and recoverability of debt is not expected to be of concern. The Companies on time collection rate for April and May stands at 97% and 96% (Dec 2019 was 95.2%).

Operations, Supply chain, QA and some R&D personnel are attending the work place. The rest of the non-key personnel continue to work remotely from home effectively. Support for the business has not been affected. Covid 19 has not created much disruption to normal business.

Directors' report

Post Balance Sheet Events (continued)

Covid 19 represents a non adjusting event for year ended 31 December 2019.

There are no further post Balance Sheet events to report at the time of signing the accounts.

Capital structure

Details of the authorised and issued share capital are shown in note 22.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The percentage of the issued nominal value of the ordinary shares is 100% of the total issued nominal value of all share capital.

Going concern basis

The Company's business activities and performance are set out in the business review. The direct access to global finance markets via the Group's centralised treasury organisation provides financing flexibility to support the needs in liquidity for the entire Group. The Company is in a strong cash position which would cover the current liabilities if required, however the affiliates benefit from the overall financing through the cash pool structure which provides availability of funds on a daily basis if required. The Company has a robust balance sheet, with net assets as at 31 December 2019 of £165.3m (2018: £154.7m). The Company holds a Non-current inter-group loan, which will not be re-called for 12 months following date of signing the accounts. Further information on the financial position of the Company, its cash flows, liquidity position and borrowings are set out in the main body of the financial statements.

The directors have assessed the going concern of the Company in detail since Covid 19 arrived in the UK in March 2020. The forecast cash flow indicates no immediate alarm in our opinion for the next 18 months to December 2021. The Company has seen no material impact so far and we expect the current trend in the production volume growth for fragrance compounding and distribution of flavours compounds to continue into 2020.

With this in mind the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of 12 months from the date of signing. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Principal risks and uncertainties

The Company has recognised a number of principal risks and uncertainties. The main risks faced by the Company are financial risks, such as liquidity, credit, interest and currency risk. Refer to note 18 for a discussion on the Company's financial risk management activities. Other main risks include legal and regulatory risks, such product safety risk. Information technology risks, such as information security risks. Procurement and supply chain risk of certain natural raw materials, which can be harder to source. Risk of climate change and the management of the Company's carbon footprint. Each of these top rated risks are managed centrally by a member of the Executive Committee of Givaudan SA. Each member has the responsibility to manage the risk on a group-wide basis. Once a year the Executive Committee reports to the Board on the risk management process, the strategic risks and the mitigations actions. Corporate Internal Audit provides assurance on the effectiveness of the risk management process.

Research and development costs

During the year the Company's total research and development costs were £13,680,000 (2018: £13,101,000). All costs are recognised in profit or loss in the period in which they are incurred.

Directors' report

Fixed assets

In the opinion of the directors, the current open market value of the Company's interests in land and buildings is not significantly different from the carrying value in these statutory accounts.

Future developments in the business

We expect the current trend in the production volume growth for fragrance compounding and distribution of flavours compounds to continue into 2020. The Company remains a key player for the supply of fragrance compounds to its principal parent under the contract manufacturing arrangement. Despite the Covid 19 situation, the group has managed to achieve a decent sales growth for Q1 2020 and is expecting to be on target towards its 2020 strategic goals to achieve average sales growth of 4-5% and free cash flow target between 12-17% over the strategic period. To support these goals, the Company's production volumes are expected to grow in line to meet the demands from the business at current levels and sustain the existing profitability returns. The group is positioned strongly as the market leader in the industry and expects the business to remain resilient in the current period.

Section 172(1) statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) for the major stakeholder groups and forms the directors' statement required under section 414CZA of The Companies Act 2006.

Givaudan UK Ltd is owned by their ultimate parent Givaudan SA, a publicly quoted Swiss Company. The directors report directly to the parent Company on all strategic, governance, legal and performance affairs. There are regular and timely discussions to go through such matters and discuss the results of the Company, as well as setting and approving key financial areas such as annual budgeting and expenditure on capital investments. The decisions of the directors are driven by the wider group strategy and how the Company can best provide support to deliver that strategy. The decisions of the directors pay due regard to the consequences of such decisions in the long-term interests of the stakeholders, the impact on the communities and environment in which the Company operates and also in maintaining high standards of business conduct and acting fairly between all stakeholders. The Companies main stakeholders, how we engage with them and consider their needs are discussed further below.

Employees

The long term success of the Company is founded on the commitment of our workforce to our purpose and its demonstration of its values on a daily basis.

The Company has put in place various tools and programmes available through our Engage HR system, aiming to equip employees with the necessary skills needed for today and tomorrow.

Protecting the environment, safeguarding our employees' health and ensuring the safety of all who work at Givaudan are key values in our Company.

The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

Employee involvement has been promoted by a number of means at the three principal sites of the Company in the UK.

These are summarised in the following notes:

1. Team Briefing

Team briefing has continued at Ashford, Milton Keynes and Staines during 2019. Its objective is to ensure that all employees are regularly informed of the progress of the business, including financial and economic factors affecting the performance of the Company.

A briefing document is prepared each month, setting out the Company's progress against volume and financial targets, key features of Company performance, and personnel developments such as organisation changes and appointments. This brief is then cascaded through the management and supervisory hierarchy by nominated briefers, each of who communicates with their own team. The brief is added to during the process to incorporate items relating to both site and departmental issues. In addition to the regular monthly briefs, use is made of the system to give special briefs on an ad hoc basis when it is important to inform all employees quickly on an issue of key importance to them as employees.

Directors' report

Section 172(1) statement (continued)

Employees (continued)

2. Site Councils

2.1 Ashford

This Council meets six times a year and is chaired by an employee member of the Council. It comprises eleven members drawn from all grades and functions on the Ashford site. The Council consults on a wide range of issues including topics raised through the briefing system and conditions of employment.

2.2 Milton Keynes

The Council meets on a quarterly basis and is chaired by an employee member of the Council. It comprises five members including the chair. The Council consults on a wide range of issues including topics raised through the briefing system and conditions of employment.

Improving the performance and development of employees is based on a simple framework allowing managers and employees to have regular and meaningful conversations to help them to grow and perform at their best by objective setting, providing feedback, having developmental conversations and reviewing results. Givaudan encourages employee involvement in the Company's performance though the Profit Share Plan (PSP). This is designed to offer employees an opportunity to share in the Company's success through the payment of an annual variable reward. The Givaudan

Incentive Plan (IP) provides annual variable compensation for successful business and individual performance. It is an integral part of Givaudan's pay for performance strategy. Competitive compensation packages allow us to attract, motivate and maintain talented employees. Compensation packages are benchmarked and reviewed each year. The importance in maintaining a reputation for high standards of business conduct and fairness within our workforce is paramount to retaining a talented and motivated workforce.

Disabled employees

The following policy has been applied in respect of the employment of disabled persons, as defined by the Disabled Persons (Employment) Act 1944:

The Company recognises its responsibility to employ disabled persons in suitable employment, and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the Company's employment and in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work, which is available, and any necessary training is arranged. Disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Suppliers

Our suppliers are fundamental to the long term supply quality of our products and to ensuring that as a business we meet the high standards of conduct that we set ourselves. Through Group led initiates, our parent Company Givaudan SA seeks strategic partnerships with suppliers, so that they become in effect an extension of our business. Currently 50% of the Groups projects leverage this sort of external collaboration.

The Company's supplier payment policy concerning the majority of its trade creditors is to follow the Confederation of British Industry's (CBI) prompt payer's code, copies of which are available from the CBI, Centre Point, 103 New Oxford Street, London, WC2A 1DU. The Company's policy is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with contractual and other legal obligations.

Directors' report

Section 172(1) statement (continued)

Suppliers (continued)

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. Trade creditors of the Company at 31 December 2019 were equivalent to 36 days (2018: 34 days) purchases, based on the average daily amount invoiced by suppliers during the year.

Customers

Our customers are at the heart of everything we do at Givaudan. There is a strong need to build long lasting relationships with our customers to enable us to thrive and to maintain a competitive advantage in a changing world. As part of Givaudans wider group, we saw an increase in consumers seeking natural, organic and cleaner products and the need to take bolder actions on the climate crisis. This led Givaudan to create a new purpose 'Creating for happier, healthier lives with love for nature'. At the core of our business is the relationship with our customers. At our Ashford site we have a sensory centre of excellence, which acts as a key enabler to deliver break through science and technology solutions for our customers.

The Community and Environment

Our business affects the communities in which we operate. Measures are taken to operate safely and sustainably with our neighbouring communities, while also ensuring that we generate economic, social and environmental opportunities for truly mutual beneficial relationships. For example recruiting from local communities, generating opportunities through local purchasing and employing the latest technologies to manage our environmental impact on our community's air, water, noise and odour aspects. We take seriously our corporate social responsibility to give back to our communities, be it through local charity support and by contributing to community causes and programmes. Opportunities are available to our employees to make such contributions through our UK Green team. During the year, the Company made local charitable donations of £50,970 (2018: £45,970). The Company made no political contributions during either year.

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

Mr P Parmar
Director
16 July 2020

Givaudan UK Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2019.

The Strategic report included in Pages 2-6 of the report forms part of this Directors' report. Under s414C(11) of the Companies Act 2006, the directors have included in the strategic report such matters otherwise required by regulations made under s416(4) to be disclosed in the directors' report as they consider them of strategic importance. Such items include capital structure, principal risks and uncertainties, including financial risks management, charitable and political contributions and employee consultations. Subjects of subsequent events, future developments, research & development and disabled employees were all addressed in the Strategic report.

Dividends

The directors do not recommend the payment of a dividend (2018: £NIL).

Directors

The directors who served during the year and up to the date of signing:

Mr P Parmar
Mr I Messenger

Directors' interests

None of the directors of the Company had any interests in the Company share capital.

Directors' share options

The directors are invited to participate in the profit share plans and share option plans of the parent Company, Givaudan SA. Details of these plans are given in note 23.

Directors' indemnities

The Company's parent, Givaudan SA, has made qualifying third party indemnity provisions for the benefit of the UK directors which were made during the year and remain in force at the date of this report.

Auditor

Each of the persons who are directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

R&D Activities

Givaudan is focused on innovative taste and smell solutions. The development of aesthetically appealing products is underpinned with fundamental research in areas of chemistry, biochemistry and sensory perceptions. The Ashford site is home to the Health and Well-being Centre of Excellence. Its aim is to counteract the negative impacts of personal and environmental malodours on well-being. It encompasses two main areas of research. These are malodour research, which looks at consumer relevant malodour issues and technological innovations to address them and neuroscience research, which focusses on how perfume is perceive by the brain and how it influences human emotion and behaviour. These research activities are supported by the measurement science and sensory science teams, which provide technical support and expertise for research projects. Further to this, the site also has a dedicated oral care research team helping to improve oral health and hygiene and supporting oral care with the screening of novel flavour ingredients.

Givaudan UK Limited

Directors' report

Business relationships

Key business relationships and information on how the directors have had regard to the need to foster these relationships can be found within the Section 172(1) statement in the Strategic report.

Statement on employee engagement

Information on how the directors have engaged with the workforce and had regard for their interests are included within the Section 172(1) statement in the Strategic report.

Approved by the Board of Directors
And signed on behalf of the board

Mr P Parmar
Director

16 July 2020

Directors' responsibilities statement

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have chosen to prepare Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the accounts 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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 to 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.

Independent auditor's report to the members of Givaudan UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Givaudan UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement and;
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Givaudan UK Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

Helen Burridge

Helen Burridge (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 July 2020

Givaudan UK Limited

Statement of Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Continuing operations			
Revenue	7	252,396	238,111
Cost of sales		(232,795)	(219,595)
Gross profit		19,601	18,516
Other operating income		28,742	27,896
Marketing, sales and distribution expenses		(16,744)	(16,356)
Research and product development expenses		(13,680)	(13,101)
Administrative expenses		(3,340)	(3,965)
Other operating expenses		(3,532)	(1,965)
Corporate costs		(123)	-
Restructuring costs		(80)	(648)
Operating profit		10,844	10,377
Finance income	8	4,522	3,501
Finance expenses	9	(4,356)	(3,316)
Profit before tax		11,010	10,562
Taxation	10	(1,851)	(2,030)
Profit for the year	11	9,159	8,532
Items that will not be reclassified subsequently to the income statement:			
Re-measurement of gain on retirement benefit schemes	12	(517)	25,254
Income tax relating to items that will not be subsequently reclassified to the income statement	15	88	(4,292)
Other comprehensive income for the year net of tax		(429)	20,962
Total comprehensive income for the year		8,730	29,494

Givaudan UK Limited

Statement of Financial Position
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Goodwill	13	9,396	9,396
Property, plant and equipment	14	34,147	33,162
Retirement benefit scheme net surplus	12	20,757	15,553
		64,300	58,111
Current assets			
Inventories	16	23,448	22,565
Trade and other receivables	17	56,901	69,999
Derivative financial instruments	18	103	-
Cash and bank balances		120,622	107,024
		201,074	199,588
Total assets		265,374	257,699
Current liabilities			
Trade and other payables	19	(56,721)	(62,201)
Derivative financial instruments	18	-	(141)
Short term debt	20	(489)	-
Provisions	21	(62)	(205)
		(57,272)	(62,547)
Net current assets		143,802	137,041
Non-current liabilities			
Deferred tax liability	15	(5,711)	(4,505)
Long-term provisions	21	(604)	(616)
Long-term debt	20	(1,190)	-
Borrowings	20	(35,344)	(35,344)
		(42,849)	(40,465)
Total liabilities		(100,121)	(103,012)
Net assets		165,253	154,687
Equity			
Share capital	22	70	70
Retained earnings		165,183	154,617
Equity attributable to owners of the Company		165,253	154,687

The financial statements of Givaudan UK Limited, registered number 00691403 were approved by the Board of Directors and authorised for issue on 16 July 2020.

Signed on behalf of the Board of Directors

Mr P Parmar
Director

Givaudan UK Limited

Statement of Changes in Equity
For the year ended 31 December 2019

	Notes	Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2018		70	123,424	123,494
Profit for the year ended 31 December 2018		-	8,532	8,532
Other comprehensive income for the year				
Re-measurement of gain on retirement benefit schemes	12	-	25,254	25,254
Income tax relating to items that will not be subsequently reclassified to the income statement		-	(4,292)	(4,292)
Total comprehensive income for the year		-	29,494	29,494
Credit to equity on account of share based payments	23	-	1,699	1,699
Balance at 1 January 2019		70	154,617	154,687
Profit for the year ended 31 December 2019		-	9,159	9,159
Other comprehensive income for the year				
Re-measurement of gain on retirement benefit schemes	12	-	(517)	(517)
Income tax relating to items that will not be subsequently reclassified to the income statement		-	88	88
Total comprehensive income for the year		-	8,730	8,730
Credit to equity on account of share based payments	23	-	1,836	1,836
Balance at 31 December 2019		70	165,183	165,253

Givaudan UK Limited

Cash Flow Statement
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Net cash from operating activities	24	15,752	443
Financing activities			
Interest paid		(587)	(2,665)
Lease payments		(444)	-
		(1,031)	(2,665)
Investing activities			
Interest received		656	3,129
Purchases of property, plant and equipment		(1,779)	(1,274)
		(1,123)	(1,855)
Net decrease in cash and cash equivalents		13,598	(367)
Cash and cash equivalents at beginning of year		107,024	107,391
Cash and cash equivalents at end of year		120,622	107,024

Notes to the financial statements
For the year ended 31 December 2019

1. General information

Givaudan UK Limited is a private company limited by shares incorporated in the United Kingdom in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1 of the report. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 6 of the report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest thousand pounds to aid with clarity. Foreign transactions are included in accordance with the policies set out in note 3.

2. Adoption of new and revised standards

a. New and amended IFRS standards that are effective for the current year

IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes. The clarification confirms the current practice for the Company.

Amendments to IFRS 9: Prepayment Features with Negative Compensation address the concerns about how IFRS9 Financial Instruments clarifies particular prepayable financial assets. These amendments have no impact on the Company, as the Group does not enter in such particular instruments.

Annual Improvements to IFRS Standards Cycle 2015 – 2017 set out amendments across four different standards, related basis for conclusions and guidance, namely amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Tax and IAS 23 Borrowing costs. These amendments are relevant but have no impact.

Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement state that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. It also clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The adoption of the amendments confirms the current practice of the Company.

IFRS16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases which are not short term or deemed low value leases and lessors to confirm the continuation of classifying leases as operating or finance. The Company is not a lessor and is impacted by the standard only for the lessee accounting. The standard replaces IAS 17 Leases, under which operating lease payments were charged to the income statement on a straight-line basis over the term of the contract. The related lease accounting policy is in Note 3.

The Company applied the standard from its mandatory adoption date of 1 January 2019 and applied the cumulative catch-up approach without restating the comparative amounts for the year prior to first adoption. Furthermore, the Company has made use of the practical expedient available on transition to IFRS16 not to reassess whether a contract is or contains a lease. At the date of initial application, the Company excluded initial direct costs from the measurement of the right-of-use asset and used hindsight to assess the leases terms.

On 1 January 2019 the Company recognised right-of-use assets and lease liabilities of £2.1M that were previously classified as operating leases under IAS 17. The effect of applying the new standard IFRS 16 does not have a material impact on the presentation of the Statement of Comprehensive Income and the Cash Flow Statement. A weighted average incremental borrowing rate of 1% was applied to calculate the lease liability at 1 January 2019.

For tax purposes the Company receives tax deductions in respect of the right-of-use assets and the lease liabilities in a manner consistent with the accounting treatment.

2. Adoption of new and revised standards (continued)

b. New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

3. Significant accounting policies

Basis of accounting

The financial statements of Givaudan UK Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards. The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's 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.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern

As further described in the Strategic Report the directors have taken into account the uncertainty related to Covid 19.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of 12 months from the date of signing, despite the uncertain economic outlook. The direct access to global finance markets via the Group's centralised treasury organisation provides financing flexibility to support the needs in liquidity for the entire Group. The Company is in a strong cash position which would cover the current liabilities if required, however the affiliates benefit from the overall financing through the cash pool structure which provides availability of funds on a daily basis if required. The Company has a robust balance sheet, with net assets as at 31 December 2019 of £165.3m (2018: £154.7m). The Company holds a Non-current inter-group loan, which will not be re-called for 12 months following date of signing the accounts. Further information on the financial position of the Company, its cash flows, liquidity position and borrowings are set out in the main body of the financial statements and strategic report. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date).

Notes to the financial statements
For the year ended 31 December 2019

3. Significant accounting policies (continued)

Goodwill (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. The recorded amount of goodwill of £9,396,000 is entirely attributable to the UK flavours business. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

The Company manufactures and sells manufactured products and molecules of fragrance and flavour to the agreed upon specifications and may contain additional performance obligations for certain clients such as the assignment of specific application technologies, joint market research and particular stock conditions. Most of these additional performance obligations are not distinct because they are highly dependent on the delivery of manufactured products and molecules of fragrance and flavour.

Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with volume discounts based on the aggregate sales over a 12 month period. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated volume discounts provided that it is highly probable that a reversal will not occur. No element of financing is deemed present as the sales are made with credit terms that are consistent with market price.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

Other operating income

Other operating income represents the income received from re-charges of functional costs to other Givaudan entities at an agreed mark-up. The income is recognised on a monthly basis once the costs can be measured reliably and is re-charged to the appropriate Givaudan entity who assumes the economic benefit. These re-charges are in line with the advanced pricing agreement that the Company has in place with the HMRC.

Leases

For all agreements containing a lease, a right-of-use asset and corresponding lease liability are recognised, except for low-value assets and short term leases, defined as leases with a lease term of 12 months or less. Those are recognised as an operating expense on a straight-line basis over the term of the lease in the Statement of Comprehensive Income. The Company accounts for contracts containing both lease and non-lease components as a single lease component.

3. **Significant accounting policies (continued)**

Leases (continued)

The lease liability is initially measured at the present value of the future lease payments, as from commencement date of the lease until the expected termination date. In determining the lease term management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease term is reassessed if an option is, or not, actually exercised or the Company becomes obliged, or not, to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lease. The lease payments are discounted by using the interest rate implicit in the contract or, if not available, the incremental borrowing rate, which is defined as the interest rate that Group would have to pay to borrow, over a similar term with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability is subsequently measured to reflect interest payments and any lease modifications. The lease liability is presented under the lines short-term debt and long term debt in the Statement of Financial Position. The interest expense is presented in the line Finance Expenses in the Statement of Comprehensive Income.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct costs and estimates of costs to put the underlying asset in the appropriate condition. Right-of-use assets are subsequently measured at cost less accumulated depreciation over the shorter period of the lease term and the useful life of the underlying asset. Right-of-use assets are presented in the Statement of Financial Position under the line Property, plant and equipment.

All lease payments on leases are presented as part of cash flows from financing activities, except for the short term and low-value leases cash flows, which are booked under operating activities.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred, at the effective rate of interest. There were no borrowing costs in the year related to spend on qualifying capital expenditure.

Operating profit

Operating profit is stated after charging restructuring costs but before finance income, finance costs and tax.

Retirement benefit obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, principally dependent on an employee's years of service and remuneration at retirement. Plans are usually funded by payments from the Company and employees to financially independent trusts.

For defined benefit pension plans, pension costs are calculated on the basis of various demographic and economic assumptions using the projected unit credit method.

Notes to the financial statements
For the year ended 31 December 2019

3. **Significant accounting policies (continued)**

Retirement benefit obligations (continued)

This method first predicts the total benefit to be paid to each participant at his assumed retirement date and then allocates the accrual for each portion of the benefit accruing during each year to that year. The retirement benefit obligation recognised in the statement of financial position represents the deficit or surplus in the Company's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into publicly or privately administrated funds. The Company has no further payment obligations once the contributions have been made. The contributions are expensed to the income statement in the year to which they relate.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their deemed cost value, being (1) the fair values attached to fixed assets upon acquisition by Givaudan in the case of the Ashford site, and (2) the actual historical cost in the case of the Milton Keynes and Staines sites.

Notes to the financial statements
For the year ended 31 December 2019

3. **Significant accounting policies (continued)**

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Buildings, plant and machinery are stated at deemed cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write-off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	40 years
Plant and machinery	3-15 years
Motor vehicles	5 years

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with bank and similar institutions. Cash equivalents are held for the purpose of meeting short-term cash commitments (maturity of three months or less from the date of acquisition) and are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Derivative financial instruments

The Givaudan SA group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, using foreign exchange forward contracts on behalf of the Company. Further details of derivative financial instruments are disclosed in note 18.

3. **Significant accounting policies (continued)**

Financial instruments (continued)

Derivative financial instruments (continued)

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Loans and receivables

Loans and receivables are measured at amortised cost using effective interest method. Interest income is recognised by applying the effective interest rate, except for short term receivables when recognition of interest would be immaterial.

Impairment of assets

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. **Significant accounting policies (continued)**

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced by an allowance for loss. The allowance loss measurement is determined by applying the lifetime expected credit losses. Under this approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss is applied. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments

Key members of Givaudan UK Limited are invited to participate in an equity settled performance share plan established by the parent Company Givaudan SA using that Company's share capital. Details regarding the share-based payments relevant to employees of Givaudan UK Limited are set out in note 23.

The Company recognises the expense for any share option plans by way of a "Capital Contribution" reserve on the balance sheet, as no amounts are ever expected to be reimbursed to Givaudan SA by the Company. The charge for share-based payments is calculated by estimating the fair value of the award at the date of grant and expensed on a straight line basis over the vesting period. There are no market conditions involved.

4. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the financial statements
For the year ended 31 December 2019

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The following are key sources of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in financial statements.

There are no significant judgements.

Defined benefit pension scheme

The surplus or deficit in the defined benefit section of the pension scheme that is recognised through the statement of comprehensive income is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding inflation rates, discount rates and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes. Valuations are at 31 December 2019 and do not consider the impact of the emergence and spread of the Covid-19 virus. Details of the defined benefit pension scheme and related estimates applied in the assumptions included in measuring the scheme liabilities and related sensitivities to these amounts are set out in note 12. There are no accounting judgements which impact the financial statements.

5. Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
Audit of the current annual financial statements	62	64
Audit of the previous financial statements	-	10
Total audit fees	62	74

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for non-audit services		
Tax compliance services	5	5
Total non-audit fees	5	5

6. Staff costs

The average monthly number of employees (including directors) was:

	2019 No.	2018 No.
Production	248	242
Marketing, selling and distribution	95	100
Administration	40	39
Total average number of employees	383	381

Notes to the financial statements
For the year ended 31 December 2019

6. Staff costs (continued)

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	17,361	18,035
Social security costs	2,113	3,106
Defined benefit pension costs (see note 12)	-	965
Administration expenses on defined benefit pension costs (see note 12)	835	835
Defined contribution pension costs	4,097	4,049
	24,406	26,990

Included in the costs above are costs relating to the directors of the Company, as follows:

	2019 £'000	2018 £'000
Directors' emoluments	258	245
Company contributions to defined contribution schemes	37	36
	295	281

The aggregate emoluments of the highest paid director were £140,396 (2018: £130,611). The amount of defined contribution pension contributions, which were made by the Company for the highest paid director, was £14,834 (2018: £14,197).

	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Defined contribution scheme	2	2
Defined benefit scheme	1	1

The Directors are the only key management personnel to meet disclosure requirements of IAS 24.

Notes to the financial statements
For the year ended 31 December 2019

7. Revenue

Turnover, analysed geographically between markets was as follows:

	2019 £'000	2018 £'000
Affiliates		
Europe	166,107	159,662
Rest of the world	2,751	1,999
Total Affiliates Sale	168,858	161,661

	2019 £'000	2018 £'000
Third party Sale		
Europe	78,624	73,899
Rest of the world	4,914	2,551
Total Third party Sale	83,538	76,450

The third party sales represent flavours and fragrance revenue from the Company's distribution activities.

8. Finance income

	2019 £'000	2018 £'000
Interest income on pension	527	371
Interest on bank deposits and similar income	656	520
Gain arising on derivatives in a designated fair value hedge accounting relationship	3,339	2,610
	4,522	3,501

9. Finance expenses

	2019 £'000	2018 £'000
Interest cost on pension	-	651
Interest on loans	587	741
Losses arising on derivatives in a designated fair value hedge accounting relationship	3,747	1,924
Interest cost on capitalised leases	22	-
	4,356	3,316

Notes to the financial statements
For the year ended 31 December 2019

10. Tax

	2019 £'000	2018 £'000
Corporation tax:		
Current year	557	535
Deferred tax (note 15):		
Current year	1,294	1,495
Total tax charge	1,851	2,030

Corporation tax is calculated at an average rate 19% (2018: 19%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit before tax per the income statement as follows:

	2019 £'000	2018 £'000
Profit before tax on continuing operations	11,010	10,562
Tax at the UK corporation tax rate of 19% (2018: 19%)	2,092	2,006
Tax effect of expenses that are not deductible in determining taxable profit	65	(49)
Effect in change of tax rate	(168)	149
Permanent difference arising on share based payment	(138)	(76)
Tax charge for the year	1,851	2,030

11. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2019 £'000	2018 £'000
Net foreign exchange gains	(322)	(682)
Research and development costs	13,680	13,101
Depreciation of property, plant and equipment	2,867	2,376
Operating lease costs	31	491
Inventory provisions and discards recognised as expense	1,496	1,832
Employee Benefit expense (Note 12)	308	2,080

Notes to the financial statements
For the year ended 31 December 2019

12. Retirement benefit schemes

Givaudan UK Pension Plan

The Givaudan UK Pension Plan is a hybrid scheme, comprising both defined benefit, referred to below as the "Givaudan scheme", and defined contribution sections. The Plan's assets are held separately by Trustees and are valued every three years by an independent professionally qualified actuary.

Quest UK Pension Scheme

Under its previous ownership, the Company participated in the ICI Specialty Chemicals Pension Fund, which covered the majority of its employees. Following the acquisition of the Company by Givaudan SA, a new scheme, the "Quest UK Pension Scheme", was set up and those members that wished to, transferred to this new scheme.

The Quest UK Pension Scheme is a trustee administered pension plan. There is a defined benefit section which mirrors the arrangements that were in place in the ICI Specialty Chemicals Pension Fund and there is also a defined contribution section. The defined benefit section provides benefits based on employees' years of service and final pensionable pay, and was closed to new members in October 2000. The Plan's assets are held separately by Trustees and are valued every three years by an independent professionally qualified actuary.

The two occupational pension schemes (Quest UK Pension Scheme and Givaudan UK Pension Plan) are arranged under the applicable UK Pension Schemes and Pension Acts and managed as legally autonomous pension trusts by the board of Trustees. The defined benefit scheme for both the Givaudan UK Pension Plan and the Quest UK Pension Scheme were frozen for current members from 31 March 2017 onwards and members are invited to join the existing defined contribution scheme going forward. Both of the defined benefit schemes are valued every three years by a professionally qualified actuary. The last valuation took place on 31 March 2017 and the next valuation is due to take place on the 31 March 2020.

The Boards of Trustees are composed of two employee representatives and four employer representatives, for the Quest UK Pension Scheme, and three employee representatives, three employer representatives plus two pensioner representatives for the Givaudan UK Pension Plan. The Board of Trustees are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exception for trivial amounts, transfer values, lump sum death benefits and tax free lump sums, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations in the defined benefit sections of both the Quest UK Pension Scheme and the Givaudan UK Pension Plan are calculated by using the projected unit credit method.

The defined benefit schemes expose the Company to actuarial risks, such as longevity risk, currency risk, inflation risk, interest risk and market (investment) risk. The Company is not exposed to any unusual entity specific or unusual scheme special risks.

The Defined Contribution Section of the Quest UK Pension Scheme (Previously "Benefit Builder")

Individuals employed by the Company since 2000 and existing members who opted to transfer from the ICI Fund were offered membership of the defined contribution scheme - ICI UK Retirement Plan – "Benefit Builder". Following the acquisition of the Company by Givaudan SA, a new defined contribution scheme called "The Defined Contribution Section of the Quest UK Pension Scheme" was set up.

The pension cost charged to the profit and loss in respect of the Defined Contribution section of the Quest UK pension scheme for the year was £4,097,000 (2018 : £4,049,000). There were no provisions or prepayments resulting from the difference between the amounts recognised as cost and the amounts paid to the scheme at either 31 December 2018 or 31 December 2019.

12. Retirement benefit schemes (continued)

The major assumptions used by the actuaries of each scheme for the purposes of the IAS19 valuations were:

	Givaudan Scheme 2019 %	Givaudan Scheme 2018 %	Quest Scheme 2019 %	Quest Scheme 2018 %
Key assumptions used:				
Discount rate	2.00	2.90	2.00	2.90
Future pension increases (RPI)	3.00	3.25	3.00	3.25
Future pension increases (CPI)	2.10	2.15	2.10	2.15
Plan duration at end of year (in years)	17.00	16.09	23.00	22.83

Mortality assumptions:

Investigations have been carried out into the mortality experience of the Company's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Givaudan Scheme 2019 Years	Givaudan Scheme 2018 Years	Quest Scheme 2019 Years	Quest Scheme 2018 Years
Retiring today:				
Males	22.7	23.2	22.3	22.7
Females	24.0	24.5	24.2	24.6
Retiring in 20 years:				
Males	24.0	24.6	23.6	24.1
Females	25.5	26.0	25.7	26.2

Various assumptions have significant effects on the amounts recognised in the profit or loss. The following shows the effects that changes in different assumptions would have on service cost during the fiscal year and on defined benefit obligation at the end of the year:

	Givaudan Scheme Effect on service cost £'000	Givaudan Scheme Effect on defined benefit obligation £'000	Quest Scheme Effect on service cost £'000	Quest Scheme Effect on defined benefit obligation £'000
0.5% Increase in inflation rate	-	3,317	-	24,577
0.5% Decrease in discount rate	-	4,814	-	26,029
One Year Increase in life expectancy	-	3,147	-	10,272

Notes to the financial statements
For the year ended 31 December 2019

12. Retirement benefit schemes (continued)

Duration of retirement benefit schemes as at 31 December 2020:

Givaudan Scheme	17 years
Quest Scheme	23 years

Amounts recognised in the statement of comprehensive income are as follows:

	Givaudan Scheme		Quest Scheme		Total	Total
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Administration expenses	295	295	540	540	835	835
Past service cost	-	762	-	203	-	965
Net interest (income)/ cost	(500)	(371)	(27)	651	(527)	280
	(205)	686	513	1,394	308	2,080

Net interest cost/(income) on pension schemes have been presented within finance income/cost in the statement of comprehensive income. The service costs, including administration expenses are included within the functional costs in proportion to the headcount.

Amounts recognised in the other comprehensive income which encompasses OCI:

	Givaudan Scheme		Quest Scheme		Total	Total
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Net remeasurement (gains)/losses due to:						
Experience	110	60	(1,570)	227	(1,460)	287
Demographic assumption changes	(1,211)	(292)	(4,916)	(10,963)	(6,127)	(11,255)
Economic assumption changes	7,101	(5,233)	30,921	(28,829)	38,022	(34,062)
Return on scheme assets excluding interest income	(4,084)	3,866	(25,834)	15,910	(29,918)	19,776
Total loss/(gain) due to remeasurements	1,916	(1,599)	(1,399)	(23,655)	517	(25,254)

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	Givaudan Scheme		Quest Scheme		Total	Total
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	(56,468)	(51,180)	(224,936)	(201,524)	(281,404)	(252,704)
Fair value of scheme assets	72,692	68,300	229,469	199,957	302,161	268,257
Net asset/(liability) recognised	16,224	17,120	7,933	(1,567)	20,757	15,553

Notes to the financial statements
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12. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations were as follows:

	Givaudan Scheme 2019 £'000	Givaudan Scheme 2018 £'000	Quest Scheme 2019 £'000	Quest Scheme 2018 £'000	Total 2019 £'000	Total 2018 £'000
Balance at 1 January	51,180	57,038	201,524	238,983	252,704	296,021
Service cost	295	295	540	540	835	835
Past service cost	-	762	-	203	-	965
Interest cost	1,443	1,342	5,780	5,697	7,223	7,039
Net remeasurement (gains)/ losses due to experience	110	60	(1,570)	227	(1,460)	287
Net remeasurement (gains) due to demographic assumption changes	(1,211)	(292)	(4,916)	(10,963)	(6,127)	(11,255)
Net remeasurement (gains)/ losses due to assumption changes	7,101	(5,233)	30,921	(28,829)	38,022	(34,062)
Benefits paid	(2,450)	(2,792)	(7,343)	(4,334)	(9,793)	(7,126)
Balance at 31 December	56,468	51,180	224,936	201,524	281,404	252,704

Movements in the fair value of scheme assets were as follows:

	Givaudan Scheme 2019 £'000	Givaudan Scheme 2018 £'000	Quest Scheme 2019 £'000	Quest Scheme 2018 £'000	Total 2019 £'000	Total 2018 £'000
Balance at 1 January	68,300	72,002	199,957	209,082	268,257	281,084
Interest income on plan assets	1,943	1,713	5,807	5,046	7,750	6,759
Return on scheme assets excluding interest income	4,084	(3,866)	25,834	(15,910)	29,918	(19,776)
Contributions from the employer	815	1,244	5,214	6,073	6,029	7,317
Benefits paid	(2,450)	(2,793)	(7,343)	(4,334)	(9,793)	(7,127)
Balance at 31 December	72,692	68,300	229,469	199,957	302,161	268,257

The analysis of the scheme assets at the balance sheet date was as follows:

	Givaudan Scheme 2019 %	Givaudan Scheme 2018 %	Quest Scheme 2019 %	Quest Scheme 2018 %
Equity securities	4.20	39.30	15.90	58.21
Debt securities	85.20	60.40	45.30	11.84
Real Estate	0.70	-	2.80	2.96
Other assets	9.90	0.30	36.00	26.99
	100.00	100.00	100.00	100.00

The estimated amount of contributions expected to be paid to the schemes during the financial year 2020 is £5.9 million.

12. Retirement benefit schemes (continued)

Under the funding schedule agreed with the scheme trustees, the Company continues to fund the pension with the Company monitoring funding levels every three years. The funding schedule will be reviewed between the Company and the trustees every year, based on actuarial valuations. The Company considers that the combined contribution rates agreed with the trustees are sufficient.

13. Goodwill

	£'000
Cost	
At 1 January and 31 December 2019	9,396
Impairment losses	
At 31 December 2019	-
Carrying amount	
At 1 January and 31 December 2019	9,396

Goodwill is allocated to the Company's cash-generating units and relates to the acquisition of the business, assets and liabilities of Tastemaker Limited and the Food Ingredients Specialities business and was originally being amortised over 20 years. The deemed cost disclosed above comprises the original cost value of £22,047,000 less accumulated amortisation up to and including 31 December 2009 (the transition date to IFRS) of £12,651,000 as recorded in the UK GAAP financial statements of the Company.

The Company prepares cash flow forecasts for a period of five years on the basis of the most recent financial budgets approved by management for the next financial year. The cash flows are discounted with a weighted average cost of capital (pre-tax) of 8.8%. Assumptions for changing selling prices and direct costs are based on past practices and expectations of future changes in the market. It is anticipated that sales volumes will increase at the rate of 2% for the next 5 years (2018: 1% for the next 5 years) on the basis of recent experience and at a rate of 1% thereafter into perpetuity on the basis of UK industry outlook report by IMF. Sensitivity analysis shows that by changing growth rates and WACC by +/-2% points does not materially change the Economic Value of the cash flows.

In the opinion of the directors, based on the analysis of forecast future cash flows for the Flavours cash generating unit, at the beginning and end of the financial year the recoverable amount of goodwill was substantially in excess of its book value, indicating no impairment of its carrying value.

14. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total Right-of-use assets £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January 2018	40,855	20,611	10	-	8	61,484
Additions	-	-	-	-	1,274	1,274
Transfers between categories	363	861	-	-	(1,224)	-
Disposals	(38)	(380)	-	-	-	(418)
At 31 December 2018	41,180	21,092	10	-	58	62,340
Transition to IFRS16	-	-	-	2,101	-	2,101
At 31 January 2019	41,180	21,092	10	2,101	58	64,441
Additions	-	-	-	-	1,779	1,779
Transfers between categories	405	771	-	-	(1,176)	-
Disposals	(26)	(134)	-	-	-	(160)
At 31 December 2019	**41,559**	**21,729**	**10**	**2,101**	**661**	**66,060**
Depreciation						
At 1 January 2018	13,142	14,033	10	-	-	27,185
Eliminated on disposals	(38)	(345)	-	-	-	(383)
Charge for the year	1,209	1,167	-	-	-	2,376
At 31 December 2018	14,313	14,855	10	-	-	29,178
Eliminated on disposals	(3)	(129)	-	-	-	(132)
Charge for the year	1,218	1,131	-	518	-	2,867
At 31 December 2019	**15,528**	**15,857**	**10**	**518**	**-**	**31,913**
Carrying value						
At 31 December 2018	26,867	6,237	-	-	58	33,162
At 31 December 2019	**26,031**	**5,872**	**-**	**1,583**	**661**	**34,147**

14. Property, plant and equipment (continued)

Total right-of-use assets include leased vehicles, leased plant and machinery, leased office equipment and a leased building.

15. Deferred tax

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. On 17 March 2020 the rate was determined to stay at 19%, however this enactment was post year end it was not reflected in the calculation of the deferred tax asset.

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £'000	Short-term temporary differences £'000	Pension relief temporary difference £'000	Pension spread £'000	Share based payment £'000	Total £'000
As at 1 January 2018	(3,370)	186	2,539	1,055	872	1,282
Credit/(expense) to profit	(54)	(46)	(890)	(352)	(153)	(1,495)
Charge to OCI	-	-	(4,292)	-	-	(4,292)
As at 31 December 2018	(3,424)	140	(2,643)	703	719	(4,505)
Credit/(expense) to profit	(82)	(26)	(974)	(352)	140	(1,294)
Charge to OCI	-	-	88	-	-	88
At 31 December 2019 (non-current)	**(3,506)**	**114**	**(3,529)**	**351**	**859**	**(5,711)**

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16. Inventories

	2019 £'000	2018 £'000
Raw materials	18,057	17,254
Work-in-progress	15	14
Finished goods	5,376	5,297
	23,448	22,565

There is no material difference between stock cost and replacement value.

17. Trade and other receivables

	2019 £'000	2018 £'000
Amount receivable for the sale of goods to 3rd parties	22,029	20,800
Amount receivable for the sale of goods to related parties (note 26)	33,128	47,375
Allowance for doubtful debts	(170)	(123)
	54,987	68,052
Other debtors	50	120
Current taxes asset	962	1,427
Prepayments	902	400
	56,901	69,999

Trade receivables disclosed above are measured at amortised cost.

Givaudan UK Limited stipulate terms stated on the order confirmation, whereby payment without discount is ordinarily expected 30 days from the date of the invoice. However, some overseas customers have individually agreed payment terms, with the longest credit terms offered being 360 days. The Company reserves the right to suspend further deliveries, or require any satisfactory securities, in the event that the customer fails to pay in full for any one shipment when it becomes due.

No interest is charged on intergroup balances.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Notes to the financial statements
For the year ended 31 December 2019

17. Trade and other receivables (continued)

Movement in the allowance for doubtful debt

	2019 £'000	2018 £'000
Balance at the beginning of the period	123	144
Amounts recovered during the year	(43)	(21)
Increase in provision in the year	90	-
Balance at the end of the period	170	123

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

18. Financial instruments

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Counterparty risk related to financial institutions is centrally managed by the Group treasury function. Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits, on-going credit evaluation and account monitoring procedures. Generally, there is no significant concentration of trade receivables or commercial counterparty credit risk, due to a large number of customers the Company deals with.

Credit evaluations are performed on all new customers and on a cyclical basis for existing customers. All overdue debts are regularly monitored and appropriate action taken.

Liquidity risk management

The Company works with the Givaudan group treasury department to actively maintain a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient funds available for operations.

Notes to the financial statements
For the year ended 31 December 2019

18. Financial instruments (continued)

Liquidity risk management (continued)

The following table analyses the Company's remaining contractual maturity for the financial liabilities. Long term and short term debt represents capitalised lease liabilities. Derivative financial instruments have not been included for this purpose since the derivative financial instruments are managed and held at Group level. Group Treasury monitors and managed cash at the group level and defines the cash level at subsidiary level. Cash surpluses held by the Company over and above the amounts required for working capital management are transferred to the central treasury centre. The surplus cash is generally invested in interest bearing current accounts, time deposits, money market deposits and funds.

	Up to 6 months £'000	6-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
2019					
Trade and other payables	56,721	-	-	-	56,721
Short term debt: lease liabilities	-	489	-	-	489
Long term Debt: lease liabilities	-	-	1,190	-	1,190
Borrowings	-	-	35,344	-	35,344
Balance as at 31 December 2019	**56,721**	**489**	**36,534**	**-**	**93,744**

	Up to 6 months £'000	6-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
2018					
Trade and other payables	62,201	-	-	-	62,201
Borrowings	-	-	35,344	-	35,344
Balance as at 31 December 2018	**62,201**	**-**	**35,344**	**-**	**97,545**

Fair value measurements

The following table presents the Company's assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is measured:

Level 1 – inputs to measure fair value are those derived from quoted prices (adjusted) in active markets for identical assets or liabilities;

Level 2 – inputs to measure fair value are those derived from inputs other than those quoted included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs to measure fair value are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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For the year ended 31 December 2019

18. Financial instruments (continued)

Fair value measurements (continued)

2019	**Level 2 £'000**	**Total £'000**
Financial assets at fair value through Profit and Loss		
Forward foreign exchange contracts	116	116
Total financial instrument assets	116	116
Financial liabilities at fair value through Profit and Loss		
Forward foreign exchange contracts	(13)	(13)
Total financial instrument liabilities	(13)	(13)
Net financial instruments	**103**	**103**

2018	**Level 2 £'000**	**Total £'000**
Financial assets at fair value through Profit and Loss		
Forward foreign exchange contracts	20	20
Total financial instrument assets	20	20
Financial liabilities at fair value through Profit and Loss		
Forward foreign exchange contracts	(161)	(161)
Total financial instrument liabilities	(161)	(161)
Net financial instruments	**(141)**	**(141)**

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to its parent Company through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company is not subject to any externally imposed capital requirements.

Notes to the financial statements
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18. Financial instruments (continued)

Gearing ratio

The gearing ratio at the year end is as follows:

	2019 £'000	2018 £'000
Debt (note 20)	37,023	35,344
Cash and cash equivalents	(120,622)	(107,024)
Net cash	(83,599)	(71,680)
Equity	165,253	154,687
Net cash to equity ratio	50.59%	46.34%

Categories of financial instruments

	2019 £'000	2018 £'000
Financial assets:		
Cash and bank	120,622	107,024
Loans and receivables: trade and other receivables (note 17)	55,037	68,172
Derivative instruments in currency hedge relationships	103	-
Financial liabilities:		
Loans and payables:		
Loans from related parties	35,344	35,344
Lease liabilities	1,679	-
Trade and other payables (note 19)	56,721	62,201
Derivative instruments in currency hedge relationships	-	141

At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables designated. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables. Other than the Derivative instruments, all other financial assets are held at amortised cost.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group company, Givaudan Finance SA enters into a derivative financial instrument to manage its exposure to foreign currency risk on behalf of the group. This derivative financial instrument provides forward foreign exchange contracts to hedge the exchange rate risk arising.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

18. Financial instruments (continued)

Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The following table summarises the sensitivity to transactional currency exposures of the main currencies at 31 December 2019. The sensitivity analysis is disclosed for each currency representing the significant exposure:

Currency risks 2019	**EUR £'000**	**USD £'000**	**CHF £'000**
Reasonable shift	8%	9%	7%
Impact on profit if currency strengthens against all other currencies	7,354	12,469	547
Impact on profit if currency weakens against all other currencies	(3,181)	(6,193)	(506)
Impact on net assets if currency strengthens against all other currencies	112	701	20
Impact on net assets if currency weakens against all other currencies	(131)	(841)	(23)

The sensitivity is based on the exposure at the date of the statement of financial position and based on assumptions deemed reasonable by management, showing the impact on income before tax. The management uses historical volatilities of the significant currencies contributing to the exposure to determine the reasonable change.

Forward foreign exchange contracts

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. These contracts are advised to the Company by Givaudan Finance SA, who manages the forward foreign exchange contracts for all group companies. At the balance sheet date, the net value of the derivative financial instruments measured at fair value was £103k asset (2018: £141k liability).

Interest rate risk management

All outstanding loans are with the ultimate parent Company and are at floating rates of interest, which are benchmarked against third party arm's length equivalents. Currently the Company is comfortable with the level of exposure.

Other price risks

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the cost of managing exposure to commodity price risk exceeds any potential benefits. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Notes to the financial statements
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19. Trade and other payables

	2019 £'000	2018 £'000
Trade creditors third parties	23,391	21,042
Trade creditors related parties (note 26)	20,401	26,740
Other taxes payable	4,073	4,750
Other creditors	1,924	2,681
Accruals	6,932	6,988
	56,721	62,201

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 36 days.

For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, some suppliers charge interest on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. No interest is payable on intergroup balances.

The directors consider that the carrying amount of trade payables approximates to their fair value.

20. Debt

	2019 £'000	2018 £'000
Unsecured borrowing at amortised cost: Loan from Givaudan Finance SA	35,344	35,344
Short Term Debt: Lease liabilities	489	-
Long Term Debt: Lease liabilities	1,190	-
Total Debt	37,023	35,344

The loan from Givaudan Finance SA is unsecured, carries interest at GBP Swap Rate plus 65 base points, the rate will be reset semi-annually. The loan agreement was renewed in June 2018 for a further three years and so during 2018 the loan changed from a current liability to a non-current liability.

Long Term Debt: Lease liabilities amount of £1,190,000 (2018: £NIL) represents the proportion of capitalised lease liabilities, where the lease payments due are expected to take place more than one year after the 31 December 2019.

Notes to the financial statements
For the year ended 31 December 2019

21. Provisions

	2019 £'000	2018 £'000
Restructuring provision	62	205
Other	604	616
	666	821
Current	62	205
Non-current	604	616
	666	821

	Restructuring provision £'000	Dilapidations provision £'000	ICI speciality pension £'000	Total £'000
As at 1 January 2019	205	213	403	821
Additional provision in the year	64	-	-	64
Utilisation of provision	(153)	-	(12)	(165)
Reversal of provision	(54)	-	-	(54)
As at 31 December 2019	62	213	391	666

The restructuring provision includes the on-going restructure costs related to divisional reorganisation. The expected costs are likely to occur within 6 months of the period end. The dilapidations provision is for the dilapidation cost of the Staines office. It represents the management's best estimated cost of returning the building back to its original condition, at the end of the lease agreement, which is in 2028. The ICI speciality pension provision relates to a provision for ex-gratia pension top-up for 2 former employees. The Company will continue to make payments until the natural expiry of the pension, which the Company considers will be longer than one year from the end of the accounting period.

22. Share capital

	2019 £'000	2018 £'000
Authorised:		
100,000 ordinary shares of £1 each	100	100
Issued and fully paid:		
70,000 ordinary shares of £1 each	70	70

The Company has one class of ordinary shares which carry no right to fixed income.

23. Share-based payments

Key members of Givaudan UK Limited are invited to partake in a performance share plan established by the parent Company Givaudan SA using that Company's share capital. As such the disclosure included below is denominated in Swiss Francs, being the local currency of the parent Company.

Performance share plan

Performance shares shown in the table below were granted in 2016, 2017, 2018 and 2019. These performance shares are converted into tradable and transferable shares of Givaudan SA after the vesting period, subject to performance conditions. The performance metric is the comparison of the business plan to the actual cumulative cash flow.

Year of Grant	Commencing Date	Vesting Date	Number of shares expected to be delivered at vesting date	Weighted average fair value (CHF)
2016	31.3.16	15.4.19	3,753	1,709.4
2017	31.3.17	15.4.20	4,244	1,621.6
2018	31.3.18	15.4.21	3,798	1,993.3
2019	31.3.19	15.4.22	3,654	2,289.6

The cost of these shares amounted to £1,836,000 (2018: £1,699,000) and has been expensed in the statement of comprehensive income. Neither of the directors exercised performance share plan options during 2019.

The following table shows the details of the performance shares which were exercised during 2019:

Year of Grant	Commencing Date	Vesting Date	Number of shares distributed at vesting date	Weighted average fair value (CHF)
2016	31.3.16	15.4.19	1,136	2,524.47

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24. Notes to the cash flow statement

	2019 £'000	2018 £'000
Profit for the year after tax	9,159	8,532
Adjustments for:		
Movement in pension balances	(5,727)	(5,237)
Finance income	(656)	(3,130)
Finance costs	587	2,665
Share-based payment expense	1,836	1,699
Depreciation of property, plant and equipment	2,867	2,376
Loss on disposal of property, plant and equipment	29	35
Interest on capitalised leases	22	-
Increase in deferred taxes	1,294	1,600
(Decrease) in short-term provisions	(143)	(254)
(Increase)/decrease in derivative financial instruments	(244)	114
(Decrease) in long-term provisions	(12)	(11)
Operating cash flows before movements in working capital	9,012	8.389
(Increase) in inventories	(883)	(870)
Decrease/(Increase) in receivables	12,637	(9,841)
(Decrease)/Increase in payables	(5,480)	3,824
Cash generated by operations	15,286	1,502
Income tax received/(paid)	466	(1,059)
Net cash flow from operating activities	15,752	443

Notes to the financial statements
For the year ended 31 December 2019

24. Notes to the cash flow statement (continued)

Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and bank balances	120,622	107,024

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Gross Debt reconciliation	1 January 2019 £'000	Financing cash flows £'000	Other changes £'000	Fair value revaluation £'000	31 December 2019 £'000
Loan from related parties (note 20)	35,344	-	-	-	35,344
Lease liabilities	-	(444)	2,123	-	1,679
Total liabilities from financing activities	35,344	(444)	2,123	-	37,023

25. Operating lease arrangements

The Company as lessee

At the balance sheet date, the Company had outstanding commitments for total future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	12	474
In the second to fifth years inclusive	8	975
After five years	-	74
	20	1,523

Operating lease payments represent rentals payable by the Company for certain items of plant and machinery. Out of the £1,523,000 total outstanding commitments as at 31 December 2018, £1,486,000 represents commitments which would have been capitalised as Right-of-use assets under the new accounting standard IFRS16, which was introduced from 1 January 2019. This figure would have included items of plant and machinery, cars, office equipment and buildings.

26. Related party transactions

Transactions between the Company and its relevant associates disclosed below are with the ultimate parent Company, Givaudan SA and its subsidiaries.

Trading transactions

During the year the Company entered into the following transactions with related parties, being other members of the Givaudan worldwide group:

	Services rendered		Services received	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Givaudan International	2,605	3,131	4,370	3,316
Givaudan SA	227	216	-	-
Givaudan China	-	68	-	-
Givaudan Fragrances France	166	263	263	148
Givaudan Japan	-	-	138	126
Givaudan Netherlands	151	161	-	-
Givaudan Singapore	225	311	-	-
Givaudan Fragrances USA	-	261	42	30
	3,374	4,411	4,813	3,620

	Sales of goods		Purchase of goods	
	2019	2018	2018	2017
	£'000	£'000	£'000	£'000
Givaudan Argentina	213	174	204	168
Givaudan Brazil	473	347	450	343
Givaudan Switzerland	1,458	1,321	1,424	1,276
Givaudan International	164,166	158,367	145,562	135,284
Givaudan Fragrances China	361	263	348	234
Givaudan Columbia	-	-	15	16
Givaudan Germany	8	18	8	13
Givaudan Spain	9	-	9	-
Givaudan Fragrances France	465	391	453	376
Givaudan Indonesia	134	101	114	89
Givaudan India	429	193	379	171
Givaudan Japan	18	4	13	4
Givaudan Mexico	-	17	-	9
Givaudan Netherlands	-	8	-	7
Givaudan Singapore	246	271	216	241
Givaudan Thailand	-	-	1	-
Givaudan Fragrances USA	875	622	778	528
Givaudan South Africa	3	7	-	2
	168,858	162,104	149,974	138,761

Notes to the financial statements
For the year ended 31 December 2019

26. Related party transactions (continued)

	Other operating income		Other operating expense	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Givaudan Finance	3,339	-	4,333	783
Givaudan Treasury International	655	-	-	-
Givaudan Switzerland	13	14	-	-
Givaudan International	11,918	10,152	2,491	-
Givaudan SA	15,674	13,815	-	-
Givaudan Fragrances France	19	13	438	-
Givaudan Germany	1	1	-	-
Givaudan Spain	3	2	-	-
Givaudan Hungary	2	2	-	-
Givaudan Business Solutions	3	-	-	-
Givaudan Netherlands	3	2	-	-
Givaudan UK Holdings	6	6	-	-
	31,636	24,007	7,262	783

The following amounts were outstanding at the balance sheet date:

	Accounts receivables		Accounts payables	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Givaudan Argentina	73	50	1	-
Givaudan Brazil	64	73	28	2
Givaudan Switzerland	177	238	302	1,056
Givaudan International	25,741	39,587	12,407	17,749
Givaudan International CHF	660	658	201	268
Givaudan SA	1,495	1,579	-	-
Givaudan Finance	-	-	14	18
Givaudan Fragrances China	93	70	45	52
Givaudan Germany	3	2	-	2
Givaudan Spain	-	5	19	23
Givaudan Fragrances France	32	148	48	76
Givaudan 2007 UK	-	-	7,112	7,112
Givaudan UK Holdings	4,459	4,453	-	-
Givaudan Hungary KFT	-	3	-	-
Givaudan Business solutions DC	3	3	-	-
Givaudan Indonesia	29	29	-	3
Givaudan India	65	61	6	137
Givaudan Japan	55	-	38	48
Givaudan Mexico	6	4	57	29
Givaudan Netherlands	19	32	-	-
Givaudan Singapore	10	160	111	84
Givaudan Thailand	24	-	-	
Givaudan Flavours USA	-	-	6	25
Givaudan Fragrances USA	105	215	6	56
Givaudan South Africa	15	5	-	-
	33,128	47,375	20,401	26,740

26. Related party transactions (continued)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.

	Loans outstanding	
	2019	**2018**
	£'000	**£'000**
Givaudan Finance SA	35,344	35,344

27. Ultimate parent undertaking

The Company's controlling party and ultimate parent undertaking is Givaudan SA, a publicly quoted Swiss Company. This is the largest and smallest group, in which the results are consolidated. Copies of the group financial statements of Givaudan SA in which the results of the Company are consolidated can be obtained from the Givaudan website or from Givaudan SA, whose registered address is 5 Chemin de la Perfumerie, 1214 Vernier, Switzerland.

No other consolidated financial statements include the results of the Company.

28. Subsequent events

During March 2020, the UK was affected by the worldwide spread of Covid 19. The impact of this has been assessed and the Company has seen no material impact so far and we expect the current trend in the production volume growth for fragrance compounding and distribution of flavours compounds to continue into 2020. The factory has continued production at the Ashford site and the factory personnel have adapted with the health & safety measures implemented by the Company in line with the government guidelines for the Covid 19. The factory continues to work the existing 3 shift system and some overtime and weekend work is required to maintain service levels and fulfil customer orders in consumer products. Our customer base remains strong and recoverability of debt is not expected to be of concern. The Companies on time collection rate for April and May stands at 97% and 96% (Dec 2019 was 95.2%).

Operations, Supply chain, QA and some R&D personnel are attending the work place. The rest of the non-key personnel continue to work remotely from home effectively. Support for the business has not been affected. Covid 19 has not created much disruption to normal business.

Covid 19 represents a non adjusting event for year ended 31 December 2019.

There are no further post Balance Sheet events to report at the time of signing the accounts.