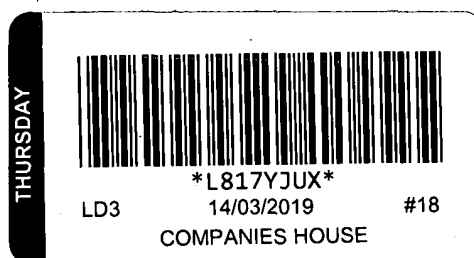


FIRMENICH UK LIMITED

Annual Report and Financial Statements

For the year ended 30 June 2018



FIRMENICH UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2018

CONTENTS	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	3
Independent auditor's report to the members of Firmenich UK Limited	5
Statement of Profit and Loss and Other Comprehensive Income	7
Balance sheet	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11

FIRMENICH UK LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2018

DIRECTORS

G Nelson
Elodie Bouchard
Paulo Menoita
D Zundel
L Pictet

REGISTERED OFFICE

Hayes Road
Southall
Middlesex
UB2 5NN

BANKERS

BNP Paribas
London Branch
10 Harewood Avenue
London
NW1 6AA

INDEPENDENT AUDITOR

KPMG LLP
58 Clarendon Road
Watford
WD17 1DE

FIRMENICH UK LIMITED

STRATEGIC REPORT

For the year ended 30 June 2018

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2018.

Principal activities

The principal activity of the company is that of the sale, distribution and manufacture of Firmenich flavours, fragrances and aromatic chemicals in the United Kingdom, Republic of Ireland and rest of the world.

Business review and future developments

The company has seen a continued strong overall sales performance in FY18 compared to FY17 with strong performances from all three divisions. The company has also maintained strong levels of profitability during this period due to continued growth of their sweet product range.

The directors consider the performance of the company to be good given the current challenging environment the company finds itself in.

Business environment

The company operates in the highly competitive flavours and fragrances industries throughout the world, having established itself as a high quality and technologically advanced brand. The company owns a manufacturing site in the North of England, which manufactures savoury flavours, and two distribution offices in the South of England, which sell both fragrances and flavours.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future given the current level of cashflow generated and strategic importance to the group. Thus they continue to adopt a going concern basis in preparing the financial statements.

Research and development

The company has carried out research and development activities in the Perfumery division with a cost of £2,780,012 for the current year (2017: £2,657,823).

Key performance indicators

Performance in the current and prior years is summarised as follows:

The Company monitors its performance through detailed monthly operational and financial reporting, with comparisons to budgets and updated forecasts being routinely made. Predominantly the focus is on geographical sales, production volumes and costings, expenses, capital expenditure and cashflow.

The results show a pre-tax profit of £8,354,000 (2017:£9,450,000) for the year from a revenue figure of £70,431,000 (2017:£62,899,000).

Policy and practice on payment of creditors

It is the company's policy to agree appropriate terms and conditions for its transactions with suppliers and these vary from standard terms and conditions to individually negotiated contracts. Suppliers are paid according to agreed terms and conditions, provided that the supplier meets those terms and conditions.

Principal risks and uncertainties

Competition

The company operates in a highly competitive market particularly with regard to price and service levels. To mitigate this risk, management has set pricing and service policies to satisfy the demands of the customer.

Employees

The company follows a recruitment policy to ensure that good quality people with the right experience are employed. The company also encourages training programmes to ensure its employees can develop and maintain

FIRMENICH UK LIMITED

STRATEGIC REPORT

For the year ended 30 June 2018

their skills. The company performance and objectives are communicated via the FIRWEB intranet and quarterly staff prime meetings.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate risk and cashflow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The policies are set by the parent company and are monitored locally.

Price risk

The company is exposed to commercial price risk which is mitigated by formal global purchase agreements with our major suppliers, which include mechanisms to control prices.

Credit risk

The company has implemented policies that require appropriate credit checks on financial institutions and potential customers before sales are made. The amount of credit given to a potential customer is dependent on several factors, which are stated in the company's credit policy.

Liquidity risk

The company uses a balance of both local finance and inter-group financing to ensure it has sufficient available funds for operations.

Interest rate risk

The company has only inter-group interest bearing assets and interest bearing liabilities. Interest was earned at an average of 0.19%, paid on a quarterly basis on its internal cash pooling accounts. The amounts owed to the parent company and fellow group undertakings carried an average rate payable of 1.22%. Advice is given by the group treasury to mitigate any interest rate risk.

Given the current level of activity within the UK regarding, sales & collections, company expenditure and investment the directors are confident in the continued strong cash generating performance of the company.

Charitable and political donations

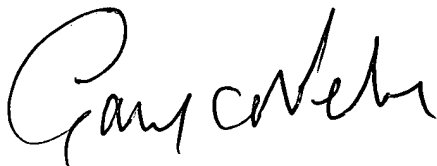
During the year the company made donations to charities totalling £3,122 (2017: £2,000). No contributions were made for political purposes (2017: £nil).

Disabled persons

The company continues to recognise its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility. Full consideration will be given to the recruitment of disabled persons where a disabled person can adequately fulfil the requirements of the job.

If an employee becomes disabled he or she will continue wherever possible to be employed in the same job. If this action is not practicable or possible, then every effort will be made to find suitable alternative employment.

On behalf of the Board



G Nelson
Director

Date

1/3/19

DIRECTORS REPORT

Directors

The directors of the company who served during the year and to the date of signing the financial statements were as stated below:

G Nelson
J Ferry (Resigned 29th September 2017)
M Bailey (Resigned 29th September 2017)
Elodie Brouhard (Appointed 29th September 2017)
Paulo Menoita (Appointed 29th September 2017)
D Zundel
L Pictet

Results and dividends

The company's profit after tax for the financial year is £7,091,000 (2017: £8,272,000) and a dividend of £8,000,000 has been paid during the year (2017: Nil). The statement of profit and loss and other comprehensive income for the year ended 30 June 2018 is set out on page 7.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

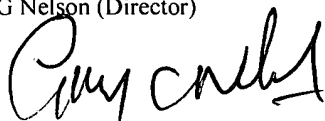
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board

G Nelson (Director)



1/3/19

FIRMENICH UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRMENICH UK LIMITED

Opinion

We have audited the financial statements of Firmenich UK Limited ("the company") for the year ended 30 June 2018 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance sheet, Statement of changes in equity, Statement of cash flows and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as pension scheme valuations and related disclosures. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;

FIRMENICH UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRMENICH UK LIMITED (Continued)

Strategic report and directors' report (continued)

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Charlotte Anderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
WD17 1DE

Date: 6.3.19

FIRMENICH UK LIMITED

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
REVENUE	3	70,431	62,899
Cost of sales		(44,438)	(37,902)
GROSS PROFIT		25,993	24,997
Net operating expenses	5	(17,410)	(15,521)
RESULTS FROM OPERATING ACTIVITIES		8,583	9,476
Finance income	6	28	10
Finance costs	7	(257)	(36)
PROFIT BEFORE TAX		8,354	9,450
Tax charge	8	(1,263)	(1,178)
PROFIT FOR THE YEAR	9, 19	7,091	8,272
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit liabilities	17	2,557	(1,820)
Tax on pension movements		(480)	192
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,168	6,644

All results derive from continuing operations.

Notes on pages 11 to 36 form part of the financial statements.

FIRMENICH UK LIMITED**BALANCE SHEET****At 30 June 2018**

	Note	2018 £'000	2017 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	17,945	13,601
		<u>17,945</u>	<u>13,601</u>
CURRENT ASSETS			
Inventories	12	11,329	5,257
Trade and other receivables	13	19,702	26,620
Cash and cash equivalents	14	60	76
		<u>31,091</u>	<u>31,953</u>
TOTAL ASSETS		<u>49,036</u>	<u>45,554</u>
CURRENT LIABILITIES			
Trade and other payables	15	(19,994)	(15,371)
		<u>(19,994)</u>	<u>(15,371)</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	(616)	(102)
Retirement benefit deficit	17	(1,672)	(4,495)
TOTAL LIABILITIES		<u>(22,282)</u>	<u>(19,968)</u>
NET ASSETS		<u>26,754</u>	<u>25,586</u>
EQUITY			
Share capital	18	7,000	7,000
Retained profits	19	19,754	18,586
TOTAL EQUITY		<u>26,754</u>	<u>25,586</u>

These financial statements of Firmenich UK Limited, registered number 02503296 were approved and authorised for issue by the Board of Directors on 11/3/19

Notes on pages 11 to 36 form part of the financial statements.

Signed on behalf of the Board of Directors



G Nelson

Director

FIRMENICH UK LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

	Share capital £'000	Retained profits £'000	Total equity £'000
Balance at 1 July 2016	7,000	11,942	18,942
Total comprehensive income for the period			
Profit for the financial year	-	8,272	8,272
Other comprehensive income	-	(1,628)	(1,628)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	7,000	18,586	25,586
	<hr/>	<hr/>	<hr/>
BALANCE AT 30 JUNE 2017	7,000	18,586	25,586
	<hr/>	<hr/>	<hr/>
Balance at 1 July 2017	7,000	18,586	25,586
Total comprehensive income for the period			
Profit for the financial year	-	7,091	7,091
Other comprehensive income	-	2,077	2,077
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	9,168	9,168
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Dividends paid	-	(8,000)	(8,000)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(8,000)	(8,000)
	<hr/>	<hr/>	<hr/>
BALANCE AT 30 JUNE 2018	7,000	19,754	26,754
	<hr/>	<hr/>	<hr/>

FIRMENICH UK LIMITED

CASH FLOW STATEMENT For the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Total comprehensive income for the year		9,168	6,644
Adjustment for:			
Depreciation, amortisation and impairment	9	1,112	1,032
Loss on disposal of PPE		9	5
Finance costs - net		229	26
Taxation		1,743	986
		<u>12,261</u>	<u>8,693</u>
(Increase)/decrease in trade and other receivables		6,918	(11,266)
(Increase)/decrease in inventory		(6,072)	(151)
Increase in trade and other payables		6,038	3,149
Increase/ (decrease) in employee benefit funds		(2,823)	1,523
		<u>4,061</u>	<u>(6,745)</u>
Tax paid		(2,644)	(102)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>13,678</u>	<u>1,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(5,465)	(1,965)
Proceeds from sale of property, plant and equipment		-	3
Interest received	6	28	1
NET CASH FROM INVESTING ACTIVITIES		<u>(5,437)</u>	<u>(1,961)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(257)	(8)
Dividend paid		(8,000)	-
NET CASH FROM FINANCING ACTIVITIES		<u>(8,257)</u>	<u>(8)</u>
Net (decrease)/in cash & cash equivalents		(16)	(123)
Cash and cash equivalents at beginning of year		76	199
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	<u><u>60</u></u>	<u><u>76</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

1. GENERAL INFORMATION

Firmenich UK Limited is a company registered, domiciled and incorporated in the United Kingdom under the Companies Act 2006 and domiciled in the UK. The address of the registered office is given on page 1. The nature of the company's operations, its principal activity and the business review are set out on page 2. The company financial statements have been prepared in accordance with the principal accounting policies described in note 2.

These financial statements are presented in pound sterling (£), which is the functional currency of the company, being the currency of the primary economic environment in which the company operates.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements have been prepared under the historical cost convention as modified by the revaluation of forward currency contracts, at fair value through the income statement. The principal accounting policies adopted by the company are set out below.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future given the current level of cashflow generated and strategic importance to the group. Thus they continue to adopt a going concern basis in preparing the financial statements.

Critical accounting estimates and assumptions

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

Revenue recognition

Revenue represents the value of goods sold and commissions received originating in the United Kingdom net of discounts and returns and excluding value added tax. These commissions are receivable in respect of sales arranged by the company in its territories, but invoiced by other Firmenich group companies. Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Operating profit

Operating profit is stated after charging salaries, depreciations, administration and R&D costs, but prior to finance income and expenses.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **For the year ended 30 June 2018**

2. ACCOUNTING POLICIES (Continued)

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their historical costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes the purchase price and all directly attributable costs of bringing the asset to its location and condition necessary to operate as intended. Useful life and residual value of property, plant and equipment is reviewed annually such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date.

Depreciation is charged so as to write off the costs of assets, over their estimated useful lives, using a straight-line method, on the following rates:

Freehold land and buildings	– 2% to 10%
Motor vehicles	– 25%
Furnitures and fittings	– 16.67% to 25%
Equipment under construction	– 0%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and 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 rates that have been enacted or substantively enacted by the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2018

2. ACCOUNTING POLICIES (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and is accounted for using the statement of financial position liability method. Deferred liabilities are generally recognised for all taxable temporary differences. 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.

Deferred tax is calculated at the rates of taxation enacted or substantively enacted at the statement of financial position date and is not discounted. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis and includes transport and handling costs. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and sales. Provision is made where necessary for obsolete, slow moving and defective inventories.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'assets held for sale' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset. Assets held for sale are stated at fair value and any gains and losses arising from changes in fair value are recognised directly in the statement of other comprehensive income, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the statement of other comprehensive income, determined using the weighted average cost method, is included in the net profit or loss for the period.

Trade receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Trade receivables do not carry any interest and are stated at their fair value. They are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of reporting period date and are discounted to present value where the effect is material.

Impairment of financial assets

For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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 through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **For the year ended 30 June 2018**

2. ACCOUNTING POLICIES (Continued)

De-recognition of financial assets

The company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are measured at fair value.

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments throughout the expected life of the financial liability, or, where appropriate, a shorter period.

Share capital

The ordinary shares in issue include the right to receive all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of the company.

Retirement benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension obligations. The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 17.

Under IAS 19 and IFRIC14 the company recognises it possesses an irrecoverable right to refund of surplus from its two defined benefit schemes.

The company operates three pension schemes, two defined benefit schemes and a defined contribution scheme.

The Firmenich UK defined benefit scheme was closed to new entrants on 1 January 1994. The Firmenich Wellingborough Employee defined benefit plan was inherited following the acquisition of Danisco UK and transferred to Firmenich UK Limited in January 2009. The disclosures required by IAS 19 are given in note 17.

Defined benefit schemes

The company operates two defined benefit pension schemes for the benefit of its employees, the assets of which are held separately from those of the company in independently administered funds. The contributions are determined by a qualified actuary on the basis of triennial valuations.

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

2. ACCOUNTING POLICIES (Continued)

Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of comprehensive income. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the statement of financial position.

Defined contribution scheme

The two defined benefit schemes described above are closed to new entrants and new employees are offered membership of the defined contribution (DC) scheme. The assets of the DC scheme are held separately from those of the company. Contributions to the DC scheme are charged to the income statement in the year to which they relate.

New standards, interpretations and amendments not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9: Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018, with early application permitted.
- IFRS 15: Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2017, with early application permitted.
- IFRS 16: Leases- Effective for annual reporting periods beginning on or after 1 January 2019.
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation - Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- Amendments to IFRSs: Annual Improvements to IFRSs 2010-2012 Cycle - Effective for annual reporting periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted. The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs such as; IFRS 2 'Share-based Payment', IFRS 3 'Business Combinations', IFRS 8 'Operating Segments', IFRS 13 'Fair Value Measurement', IAS 16 'Property, Plant and Equipment', IAS 38 'Intangible Assets' and IAS 24 'Related Party Disclosures'.

The Company has yet to conclude on the impact of the above on the Company's financial statements.

3. REVENUE

An analysis by geographical area of revenue is set out below:

	2018 £'000	2017 £'000
Geographical analysis		
United Kingdom	21,211	19,400
Europe	29,248	22,689
Rest of the world	19,972	20,810
	<u>70,431</u>	<u>62,899</u>

Total revenue of £70,431,000 (2017: £62,899,000), represents invoiced sales of £57,600,000 (2017: £50,752,000) and commission income of £12,831,000 (2017: £12,147,000). The commission income is calculated on a further sales (UK & Ireland based) value of £96,066,000 (2017: £10,589,000).

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

4. EMPLOYEES

	2018 Number	2017 Number
The average monthly numbers of employees (including executive directors) during the year were:		
Management	36	35
Warehouse and distribution	3	2
Administration and technical	100	105
Production	26	24
	<u>165</u>	<u>166</u>
Employment costs	2018 £'000	2017 £'000
Wages and salaries	10,608	9,734
Social security costs	1,043	1,111
Other pension costs	840	934
	<u>12,491</u>	<u>11,779</u>

Employment costs include costs recharged under the central expertise agreement of £1,719,000 (2016: £1,660,103).

Directors' remuneration

	2018 £'000	2017 £'000
Remuneration and other emoluments	<u>182</u>	<u>189</u>

The only director employed by the company received £182,000 (2017: £189,000), the other company directors are employed by other affiliates within the group. Retirement benefits are accruing to one director (2016: one) under a defined contribution scheme. Contributions relating to directors' remuneration paid to the company's defined contribution scheme amounts to £20,000 (2017: £21,000).

5. NET OPERATING EXPENSES

Net operating expenses are made up as follows:

	2018 £'000	2017 £'000
Commercial and Distribution costs	9,514	8,613
Administrative expenses	7,788	6,049
Add/ Less: other operating expenses/income		
- including rebilling of expertise centre expenses and other intercompany recharges	108	859
	<u>17,410</u>	<u>15,521</u>

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

6. FINANCE INCOME

	2018 £'000	2017 £'000
Interest receivable on bank deposits	-	1
Currency exchange gain	28	9
	<u>28</u>	<u>10</u>

7. FINANCE COSTS

	2018 £'000	2017 £'000
Interest payable on bank deposit	19	3
Group finance charges	131	4
IAS 19 net finance cost	107	29
	<u>257</u>	<u>36</u>

8. TAX CHARGE

Corporation tax recognised in the statement of comprehensive income

	2018 £'000	2017 £'000
Current tax:		
United Kingdom corporation tax on profits for the year	1,252	1,647
Adjustment in respect of prior periods	(23)	(375)
Total current tax charge	<u>1,229</u>	<u>1,272</u>
Deferred tax – origination and reversal of timing differences (Note 16)	66	(44)
Adjustment in respect of prior periods	(32)	(50)
Tax charge on profit on ordinary activities	<u>1,263</u>	<u>1,178</u>
Income tax recognised on Other Comprehensive Income		
Remeasurements of defined benefit liability/asset	480	(192)
Tax charge on profit on ordinary activities	<u>1,743</u>	<u>986</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK 19% (2017: 19.75%), The differences are explained below.

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

8. TAX CHARGE (CONTINUED)

	2018 £'000	2017 £'000
The total taxation for the year can be reconciled to the accounting profit as follows:		
Profit from continuing operations	8,354	9,450
Corporation tax calculated at 19% (2017: 19.75%)	1,587	1,865
Effects of:		
Expenses that are not deductible in determining taxable profit	89	145
Research and development tax credit	(306)	(292)
Adjustments to tax in respect of previous year	(99)	(370)
Change in tax rate – deferred taxes	(8)	-
Other	-	(49)
Tax rate reconciling differences	-	(121)
	<u>1,263</u>	<u>1,178</u>

Factors that may affect future current and total tax credit

The reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 June 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

9. PROFIT FOR THE FINANCIAL YEAR

Profit for the financial year is stated after charging:

	2018 £'000	2017 £'000
Depreciation and other amounts written off property, plant and equipment	1,112	1,032
Operating lease rentals:		
- plant and equipment	114	61
- others	182	162
Auditors' remuneration (note 10)	24	24
Staff costs (see note 4)	12,491	11,779
Net foreign exchange (loss)/gain	(163)	9
Research and development activities	<u>2,780</u>	<u>2,658</u>

FIRMENICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2018
10. AUDITORS' REMUNERATION

	2018	2017
	£'000	£'000
Auditors' remuneration		
- audit of the financial statements	22	22
- non-audit services	2	2
	<u>24</u>	<u>24</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Motor vehicles	Fixtures and fittings	Equipment under construction (EUC)	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2016	16,568	64	7,700	97	24,429
Additions	-	-	-	1,965	1,965
Disposals	(4)	-	(4)	-	(8)
Transfers	380	-	586	(966)	-
	<u>16,944</u>	<u>64</u>	<u>8,282</u>	<u>1,096</u>	<u>26,386</u>
At 30 June 2017	16,944	64	8,282	1,096	26,386
Additions	296	-	338	4,831	5,465
Disposals	(54)	-	(31)	-	(85)
	<u>17,186</u>	<u>64</u>	<u>8,589</u>	<u>5,927</u>	<u>31,766</u>
At 30 June 2018	17,186	64	8,589	5,927	31,766
Depreciation					
At 1 July 2016	8,022	64	3,668	-	11,754
Charge for the period	530	-	501	-	1,032
	<u>8,552</u>	<u>64</u>	<u>4,169</u>	<u>-</u>	<u>12,785</u>
At 30 June 2017	8,552	64	4,169	-	12,785
Charge for the period	550	-	562	-	1,112
Disposals	(47)	-	(29)	-	(76)
	<u>9,055</u>	<u>64</u>	<u>4,702</u>	<u>-</u>	<u>13,821</u>
At 30 June 2018	9,055	64	4,702	-	13,821
Net book value					
At 30 June 2018	8,131	-	3,887	5,927	17,945
	<u>8,131</u>	<u>-</u>	<u>3,887</u>	<u>5,927</u>	<u>17,945</u>
At 30 June 2017	8,392	-	4,113	1,096	13,601
	<u>8,392</u>	<u>-</u>	<u>4,113</u>	<u>1,096</u>	<u>13,601</u>

The value of undepreciated land is £1,089,000 (2017: £1,089,000).

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

12. INVENTORIES

	2018 £'000	2017 £'000
Raw materials and consumables	4,436	1,253
Work-in-progress	76	246
Finished goods and goods for resale	6,817	3,758
	<u>11,329</u>	<u>5,257</u>

The inventory consumed during the financial year is included in the cost of sales balance of £48,523,000 (2017: £32,539,000). The stock written off to the income statement, including movements in provision for obsolescence is £1,308,000 (2017: £911,000).

13. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	941	1,440
Amounts owed by group undertakings	17,519	23,666
Other debtors	1,242	1,514
	<u>19,702</u>	<u>26,620</u>

Trade receivables

Total trade receivables net of allowances for doubtful debts held by the company at 30 June 2018 amounted to £941,000 (2017: £1,440,000), comprising the amounts presented above. The average credit period taken on sales of goods is 54 days (2017: 48 days). Trade receivables are generally non-interest bearing. The company has provided fully for all receivables over 365 days, 50% provision for receivables dated 180 to 365 days, for external customers as historical experience is such that receivables overdue beyond 365 days are generally not recoverable. For other customers, the company provides for receivables on an individual customer basis based on circumstances known at that time and the likelihood of recovery.

Of the trade receivables balance at end of the year, one customer (2016: four) had an individual balance that represented more than 4% of the total trade receivables balance. This was £3,957,000 (2017: £988,000). In determining the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

FIRMENICH UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
For the year ended 30 June 2018**13. TRADE AND OTHER RECEIVABLES (CONTINUED)***Trade receivables*

Ageing of past due receivables:

	2018 £'000	2017 £'000
30-60 days	8	34
61-90 days	10	2
91 days and above	27	44
	<u>45</u>	<u>80</u>

Movement in the allowance for doubtful debts:

	2018 £'000	2017 £'000
At 1 July 2017	34	83
Amounts written-off as uncollectible	-	(49)
Increase in accrual	15	-
At 30 June 2018	<u>49</u>	<u>34</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statements can be reconciled to the related items in the statement of financial position as follows:

	2018 £'000	2017 £'000
Cash and bank balances	<u>60</u>	<u>76</u>

15. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade payables	5,933	4,669
Amounts owed to parent company and fellow group undertakings	5,477	5,280
Other taxes and social security costs	468	421
Accruals and deferred income	8,032	3,502
Corporation tax payable	84	1,499
	<u>19,994</u>	<u>15,371</u>

Trade payables comprise amounts outstanding for trade purchases and ongoing costs.

The amounts owed to parent company and fellow group undertakings are unsecured and repayable on demand.

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **For the year ended 30 June 2018**

16. DEFERRED TAX

Analysis of movements in the net deferred tax balance during the year:

	£'000
Balance at beginning of the year 1 July 2017	(102)
Adjustment in respect of prior years	32
Charged to profit for the financial year	(66)
Charge to other comprehensive income for the financial year	(480)
	<hr/>
Balance at end of the year 30 June 2018	<u>(616)</u>

Deferred tax assets and liabilities before off-set of balances, are as follows:

	2018 £'000	2017 £'000
Timing differences related to:		
Excess of capital allowance over depreciation	(917)	(872)
Other timing differences	17	13
	<hr/>	<hr/>
Deferred tax excluding that relating to pension asset	(900)	(859)
Deferred tax liability on pension asset	284	757
	<hr/>	<hr/>
Total provision for deferred tax	<u>(616)</u>	<u>(102)</u>

17. RETIREMENT BENEFITS

RETIREMENT BENEFITS

The company operates three pension schemes, two defined benefit schemes and a defined contribution scheme. The Firmenich Pension Scheme (defined benefit) was closed to new entrants on 1 January 1994. The Firmenich Wellingborough Employee Benefits Plan (defined benefit) was inherited following the acquisition of Danisco UK Limited and transferred to Firmenich UK Limited in January 2009.

The Firmenich Pension Scheme

The group operated a defined benefit scheme in the UK known as the Firmenich UK Limited Pension Scheme. All benefits were settled during the year ended 30 June 2017 and the Scheme was fully wound up on the 14 December 2017.

No assumptions are required as there are no longer any benefits to value.

FIRMENICH UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
For the year ended 30 June 2018**17. RETIREMENT BENEFIT (Continued)**
The Firmenich Pension Scheme (continued)**Plan assets:**

The weighted average asset allocation at the year end date was as follows:

	2018	2017
	%	%
Cash	-	-
	<hr/>	<hr/>
	£'000	£'000
Actual loss on plan assets	-	-
	<hr/>	<hr/>

Charges made to the company statement of comprehensive income on the basis of assumptions stated above are:

	2018	2017
	£'000	£'000
Statement of comprehensive income		
Interest and administration cost	-	(14)
	<hr/>	<hr/>
Total statement of comprehensive income	-	(14)
 Other comprehensive income		
Return on plan assets less interest income	-	-
	<hr/>	<hr/>
Total other comprehensive income	-	-

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2018

17. RETIREMENT BENEFIT (Continued)
The Firmenich Pension Scheme (continued)

Present value of liabilities and fair value of assets of the schemes

The amount included in the statement of financial position arising from the company's obligations in respect of this defined benefit scheme is as follows:

	2018	2017			
	£'000	£'000			
Change in benefit obligation					
Benefit obligation at beginning of year	-	17			
Benefits paid	-	(17)			
	<u>-</u>	<u>(17)</u>			
Benefit obligation at end of year	-	-			
Change in plan assets					
Fair value of plan assets at beginning of year	-	31			
Benefits paid	-	(17)			
Administrative expenses	-	(14)			
	<u>-</u>	<u>(14)</u>			
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>			
Net amount recognised asset	<u>-</u>	<u>(3,953)</u>	<u>(3,953)</u>		
Summary of history of the plan	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Present value of the scheme liabilities	-	-	17	50	11,705
Fair value of plan assets	-	-	31	297	10,906
Surplus/(Deficit)	<u>-</u>	<u>-</u>	<u>14</u>	<u>247</u>	<u>(799)</u>

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

17. RETIREMENT BENEFIT (Continued) The Firmenich Pension Scheme (continued)

Sensitivity analysis

There is no sensitivity analysis to present now that all benefit have been settled.

The Firmenich Wellingborough Employee Benefits Plan

The group operates a defined benefit scheme in the UK known as the Firmenich Wellingborough Employee Benefits Plan. An actuarial valuation as at 30 September 2014 was updated to 30 June 2018 by a qualified independent actuary.

The principal actuarial assumptions used are set out below:

	2018 %	2017 %
Weighted average actuarial assumptions used to determine obligations at 30 June:		
Discount rate	2.45	2.5
Rate of inflation (RPI)	3.25	3.35
Weighted average actuarial assumptions used to determine net pension cost for year ended 30 June:		
Discount rate	2.5	3.35
Rate of inflation (RPI)	3.35	2.9
	2018 Years	2017 Years
Weighted average life expectancy for mortality tables used to determine benefit obligations at:		
Member age 65 (current life expectancy)		
- Male	21.9	22.7
- Female	23.3	24.9
Member age 45 (life expectancy at age 65)		
- Male	23.8	24.9
- Female	25.4	27.2

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

17. RETIREMENT BENEFIT (Continued)

The Firmenich Wellingborough Employee Benefits Plan (continued)

Plan assets:

The weighted average asset allocation at the year end date was as follows:

	2018	2017
	%	%
Equities	20	25
Corporate bonds	8	10
Property	-	5
Cash	6	1
Liability driven investment	9	-
Annuities	57	59
	<u>100</u>	<u>100</u>

Charges made to the company statement of comprehensive income ("SOCl") on the basis of assumptions stated above are:

	2018	2017
	£'000	£'000
Statement of comprehensive income		
Interest cost	107	29
Other comprehensive income		
Return on plan assets	432	1,605
Remeasurement – financial and demographic assumptions	1,551	(3,425)
Remeasurement – experience adjustments	574	-
Total other comprehensive income	<u>2,557</u>	<u>(1,820)</u>

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

17. RETIREMENT BENEFIT (Continued)

The Firmenich Wellingborough Employee Benefits Plan (continued)

Present value of liabilities and fair value of assets of the schemes

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

	2018 £'000	2017 £'000
Change in benefit obligation		
Benefit obligation at beginning of year	64,090	62,901
Interest cost	1,559	1,864
Remeasurement - financial and demographic assumptions	(1,551)	3,425
Remeasurement - experience adjustments	(574)	-
Benefits paid	(3,437)	(4,100)
Benefit obligation at end of year	60,087	64,090
Change in plan assets		
Fair value of plan assets at beginning of year	59,595	59,915
Interest income	1,452	1,835
Return on assets less interest income	432	1,605
Employer contribution	373	340
Benefits paid	(3,437)	(4,100)
Fair value of plan assets at end of year	58,415	59,595
	(1,672)	(4,495)

Summary of history of the plan	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Present value of the scheme liabilities	60,087	64,090	62,901	57,133	58,310
Fair value of plan assets	58,415	59,595	59,915	57,542	56,823
Surplus/(deficit)	(1,672)	(4,495)	(2,986)	409	(1,487)

Sensitivity analysis

The table below shows the revised scheme liabilities if the assumptions were changed as shown (assuming all other assumptions remain constant, and the effect of the change in the value of the annuity has been offset):

<u>The Firmenich Wellingborough Employee Benefits Plan</u>	2018 £'000	2017 £'000
0.5% decrease in discount rate	4,234	(3,508)
0.5% increase in discount rate	(3,780)	3,034
0.5% decrease in inflation	(1,144)	2,096
0.5% increase in inflation	1,269	(2,333)
+1 yr age rating	2,935	1,554

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2018

18. SHARE CAPITAL

	2018	2017
	£'000	£'000
Called up and fully paid		
7,000,000 (2016: 7,000,000) ordinary shares of £1 each	7,000	7,000
Fully paid ordinary shares, which have a par value of £1, carry one vote per share and carry a right to dividends.		

19. RESERVES

	Retained profits
	£'000
As at 1 July 2016	11,942
Profit for the financial year	8,272
Other comprehensive income	(1,628)
As at 1 July 2017	18,586
Profit for the financial year	7,091
Other comprehensive income	2,077
Dividends paid	(8,000)
As at 30 June 2018	19,754

20. OPERATING LEASE ARRANGEMENTS

Operating lease payments represent rentals payable by the company for certain elements of its office and warehouse properties. Leases are negotiated for an average term of three years and are generally non-cancellable. There are no options to purchase within agreements.

	Plant and Equipment		Other	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Outstanding commitments for future minimum lease payments:				
Within one year	62	35	92	97
In the second to fifth years inclusive	100	84	113	162
	162	119	205	259

There are no contingent rent provisions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2018

21. FINANCIAL INSTRUMENTS

The company's financial instruments comprise cash, cash equivalents, accounts receivable and accounts payable. Cash and cash equivalents comprise cash at bank, group pooling, cash in hand and short term deposits with an original maturity of three months or less and are included in the statement of financial position at cost.

The company hedges its exposures to foreign currency fluctuation via the Firmenich group treasury function.

Fair values of financial assets and financial liabilities

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the company's financial instruments at 30 June 2018 and 30 June 2017 are grouped at level 3 except for the forward foreign exchange contracts managed by group which is grouped at level 2.

The fair values of financial assets and liabilities approximate to the carrying amounts shown in the statement of financial position at 30 June 2018.

Categories of financial instruments

	2018	2017
	£'000	£'000
Financial assets		
Cash and bank balances	60	76
Trade and other receivables (*)	19,702	26,620
Financial liabilities		
Trade and other payables (**)	<u>11,878</u>	<u>11,307</u>

(*) Prepayments, accrued income and deferred tax assets are not included

(**) Accrued expenses and corporation tax payable are not included

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

21. FINANCIAL INSTRUMENTS (Continued)

Financial and capital risk management

Capital risk management

The company's capital is managed within the context of the international group in which it operates (see note 24). The capital structure of the company consists of cash and cash equivalents and equity attributable to owners of the company, comprising issued capital and retained profits as disclosed in notes 18 and 19. The company is not subject to any externally imposed capital requirements. The company finances its operations through a combination of group indebtedness, normal trade credit, retained profit and cash.

Market risk

The company is exposed to market risk, primarily related to interest rate and foreign exchange risk. The company's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates and foreign currency rates. To achieve this, management actively monitors the foreign currency exposures and the company enters into forward foreign exchange contracts to manage the volatility relating to these exposures.

Interest rate risk

The company has only inter-group interest bearing assets and interest bearing liabilities. Interest was earned at an average of 0.19%, paid on a quarterly basis its internal cash pooling accounts. The amounts owed to the parent company and fellow group undertakings carried an average rate payable of 1.22%. Advice is given by the group treasury to mitigate any interest rate risk.

Foreign currency risk

Substantially all payments to suppliers of raw materials are in pound sterling to group or fellow subsidiaries. Sales are made predominantly in either euro or pound sterling. In these circumstances the company is exposed to relatively low foreign exchange risk. Given the corporate structure these currency risks are managed in consultation with the company's treasury function via forward exchange contracts.

Credit risk

The company's principal financial assets are cash and cash equivalents, and trade receivables. The company does not hold any collateral as security. The company manages these risks through a number of measures. Trade receivables are managed through set-up and authorisation policies for new customers. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. An assessment of credit quality of the customer is made as appropriate taking into account their financial position, past experience, external agency ratings and other factors. Where possible, the risk is mitigated by use of advanced payments. The company has a wide range of customers and in the view of management there are some concentrations of credit risk with related parties but no significant amounts that cause concern.

Credit risk with respect to trade receivables is limited given that the nature of the company's customer base is large and unrelated. Due to this management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

The company considers its exposure to credit risk at the balance sheet date to be as follows:

	2018 £'000	2017 £'000
Cash at bank and in hand	60	76
Trade and other receivables (*)	19,702	26,620
	<u>19,762</u>	<u>26,696</u>

(*)Prepayments, accrued income and deferred tax assets are not included

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2018

21. FINANCIAL INSTRUMENTS (Continued)
Financial and capital risk management (continued)

Further detail on the company's policy relating to trade receivables can be found in note 13 to the financial statements.

Price risk

The company is exposed to commercial price risk which is mitigated by formal global purchase agreements with its major suppliers, which include mechanisms to control prices.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the company's funding and liquidity requirements within the context of the group in which it operates (see note 24). The company uses a balance of both local finance and inter-group financing to ensure it has sufficient available funds for operations, and by matching the maturity profiles of financial assets and liabilities.

The following table details the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

	Due within 1 year £'000	Due between 1 and 2 years £'000	Due more than 2 years £'000	Total £'000
30 June 2017				
Non-interest bearing payables	10,578	-	-	10,578
	<u>10,578</u>	<u>-</u>	<u>-</u>	<u>10,578</u>
30 June 2018				
Non-interest bearing payables	11,878	-	-	11,878
	<u>11,878</u>	<u>-</u>	<u>-</u>	<u>11,878</u>

The following table details the company's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary to understand the company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Due within 1 year £'000	Due between 1 and 2 years £'000	Due more than 2 years £'000	Total £'000
30 June 2017				
Trade & other receivables	26,620	-	-	26,620
Cash and cash equivalents	76	-	-	76
	<u>26,696</u>	<u>-</u>	<u>-</u>	<u>26,696</u>
30 June 2018				
Trade & other receivables	19,702	-	-	19,702
Cash and cash equivalents	60	-	-	60
	<u>19,762</u>	<u>-</u>	<u>-</u>	<u>19,762</u>

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

21. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

The following exchange rates (relative to sterling), which are significant to the company, applied during the period:

	Average rate		Closing rate	
	2018	2017	2018	2017
US dollar	1.34	1.27	1.33	1.28
Euro	1.13	1.17	1.14	1.14
Swiss Franc	1.30	1.26	1.31	1.25

Forward foreign exchange contracts

The Company enters into forward foreign exchange contracts solely for the purpose of minimising currency exposures on sale, purchase and cashpooling transactions. The Company classifies its forward foreign exchange contracts used for hedging as cash flow and states them at fair value.

Fair value

The fair value of forward foreign exchange contracts at 30 June was:

	Company	
	30 June 2018 £'000	30 June 2017 £'000
Cash flow hedges		
Gain	58	-
Loss	13	-

The fair value is the gain/(loss) on all open forward foreign exchange contracts at the period end. These amounts are based on the market values of equivalent instruments at the period end date and all relate to those forward foreign exchange contracts that have been designated as effective cash flow hedges *under IAS 39 Financial instruments – recognition and measurement*.

Contractual maturity date and future cash flows

The contractual maturity date and period when cash flows are expected to occur in relation to open forward foreign exchange contracts at 30 June were:

	Company	
	30 June 2018 £'000	30 June 2017 £'000
Less than six months	(45)	-
Between six and twelve months	-	-
Between twelve and twenty-four months	-	-
	-	-

The period when the cash flows associated with those derivatives designated as cash flow hedges are expected to affect profit or loss at the same date as the table shown above.

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **For the year ended 30 June 2018**

22. CONTINGENT LIABILITIES

At 30 June 2018, the company had no material contingent liabilities required to be disclosed (2017: £nil).

23. CAPITAL COMMITMENTS

At 30 June 2018, the company had no material capital commitments required to be disclosed (2017: £nil).

24. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

The immediate parent undertaking is Fragar (Europe) S.A., 4, Cours Des Bations, Geneva, CH-1205, which is incorporated in Switzerland.

The ultimate parent undertaking party is Firmenich International SA, Rue de la Bergere 7, Meyrin-Satigny, CH-1217, a company incorporated in Switzerland, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Firmenich International SA is owned by the Firmenich family, who are the ultimate controlling party.

25. ACCOUNTING ESTIMATES AND JUDGEMENTS

The development, selection and disclosure of the Company's critical accounting policies and estimates, and the application of these policies and estimates, are considered as part of the remit of management.

Pension accounting

Changes to key assumptions used for calculating the net pension liability/asset of the Company can have a significant impact on the accounting valuation of the Company's pension schemes. The key assumptions used in calculating the net pension liability/asset for the Company are disclosed in note 17. The value of the schemes' liabilities is particularly sensitive to the discount, inflation and mortality rates used. An analysis of the impact on the net pension liability/asset to changes in key assumptions is also disclosed.

Provisions

The Company assesses the carrying value of both debtor balances and inventory balances based on past losses, current trading patterns and anticipated future events. Provisions for expected future cash flows are made based upon past experience and management's assessment of the likely outflow, after taking professional advice where appropriate.

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

26. RELATED PARTY TRANSACTIONS

During the year, the company entered into the following transactions with related parties who are members of and related parties to the ultimate parent undertaking:

a) Sales of goods and services to related parties

		2018 £'000	2017 £'000
<i>Name</i>	<i>Relationship</i>		
FIRMENICH & CIA LTDA (BRAZIL)	Inter-co customer	714	406
FIRMENICH S.A. (COLOMBIA)	Inter-co customer	1,949	474
FIRMENICH S.A.I.C. Y F. (ARGENTINA)	Inter-co customer	187	116
FIRMENICH AROMATICS (CHINA)	Inter-co customer	551	241
PT FIRMENICH (INDONESIA)	Inter-co customer	5,020	4,846
FIRMENICH DE MEXICO SA CV (MEXICO)	Inter-co customer	2,818	752
NIHON FIRMENICH K K (JAPAN)	Inter-co customer	107	61
FIRMENICH BJORGE BIOMARIN (NORWAY)	Inter-co customer	1,603	320
FIRMENICH S.A. (SWITZERLAND)	Inter-co customer	31,446	27,890
FIRMENICH ASIA PRIVATE LTD (SINGAPORE)	Inter-co customer	551	577
FIRMENICH PTY LTD (SOUTH AFRICA)	Inter-co customer	2,548	1,986
FIRMENICH LIMITED (AUSTRALIA)	Inter-co customer	241	290
FIRMENICH (THAILAND) LTD.	Inter-co customer	245	228
FIRMENICH INC. (USA)	Inter-co customer	177	4,582
FIRMENICH AROMATICS (INDIA)	Inter-co customer	536	440
FIRMENICH BELGIUM SA (BELGIUM)	Inter-co customer	752	492
FIRMENICH FZ-LLC (DUBAI)	Inter-co customer	1,058	664
		<u>50,503</u>	<u>44,365</u>

b) Purchases of goods and services from related parties

		2018 £'000	2017 £'000
<i>Name</i>	<i>Relationship</i>		
FIRMENICH BELGIUM SA (BELGIUM)	Inter-co supplier	1,209	3,410
PT FIRMENICH (INDONESIA)	Inter-co supplier	6	31
FIRMENICH FINANCE S.A.(SWITZERLAND)	Inter-co supplier	3	5
FIRMENICH BJORGE BIOMARIN (NORWAY)	Inter-co supplier	504	309
FIRMENICH S.A. (SWITZERLAND)	Inter-co supplier	22,345	14,452
FIRMENICH INC. (USA)	Inter-co supplier	2,593	1,585
FIRMENICH AROMATICS (CHINA)	Inter-co supplier	15	9
FIRMENICH & CIA LTDA (BRAZIL)	Inter-co supplier	-	11
FIRMENICH GRASSE SAS (FRANCE)	Inter-co supplier	438	161
ESSEX LABORATORIES LLC (USA)	Inter-co supplier	5	-
FIRMENICH MEXICO SA CV (MEXICO)	Inter-co supplier	27	-
		<u>27,145</u>	<u>19,973</u>

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 June 2018

26. RELATED PARTY TRANSACTIONS (Continued)

The following amounts were outstanding at the statement of financial position date:

a) Receivables from related parties

		2018 £'000	2017 £'000
<i>Name</i>	<i>Relationship</i>		
FIRMENICH & CIA LTDA (BRAZIL)	Inter-co customer	78	39
FIRMENICH S.A.I.C. Y F. (ARGENTINA)	Inter-co customer	70	66
PT FIRMENICH (INDONESIA)	Inter-co customer	732	775
FIRMENICH SA (SPAIN)	Inter-co customer	5	7
FIRMENICH (THAILAND) LTD	Inter-co customer	38	44
FIRMENICH DE MEXICO SA CV (MEXICO)	Inter-co customer	200	93
NIHON FIRMENICH K K (JAPAN)	Inter-co customer	-	5
FIRMENICH S.A. (SWITZERLAND)	Inter-co customer	4,047	4,141
FIRMENICH AROMATIC SHANGHAI (CHINA)	Inter-co customer	43	21
FIRMENICH ASIA PRIVATE LTD (SINGAPORE)	Inter-co customer	23	69
FIRMENICH PTY LTD (SOUTH AFRICA)	Inter-co customer	783	998
FIRMENICH LIMITED (AUSTRALIA)	Inter-co customer	30	39
FIRMENICH INC. (USA)	Inter-co customer	(5)	63
FIRMENICH BELGIUM SA (BELGIUM)	Inter-co customer	121	67
FIRMENICH S.A. (COLOMBIA)	Inter-co customer	580	136
FIRMENICH AROMATIC (INDIA)	Inter-co customer	138	56
FIRMENICH FZ-LLC (DUBAI)	Inter-co customer	55	52
FIRMENICH FINANCE S.A.(SWITZERLAND)	Inter-co customer	10,289	16,995
ESSEX LABORATORIES LLC (USA)	Inter-co customer	5	-
FIRMENICH BJORGE BIOMARIN (NORWAY)	Inter-co customer	287	-
		<u>17,519</u>	<u>23,666</u>

b) Payables to related parties

		2018 £'000	2017 £'000
<i>Name</i>	<i>Relationship</i>		
FIRMENICH BJORGE BIOMARIN (NORWAY)	Inter-co supplier	27	17
FIRMENICH S.A. (SWITZERLAND)	Inter-co supplier	1,615	990
FIRMENICH INC. (USA)	Inter-co supplier	423	73
FIRMENICH FZ-LLC (DUBAI)	Inter-co supplier	-	-
FIRMENICH FINANCE S.A.(SWITZERLAND)	Inter-co supplier	86	1,024
FIRMENICH AROMATICS (CHINA)	Inter-co supplier	16	-
FIRMENICH WELLINGBOROUGH (UK)	Inter-co supplier	73	73
FIRMENICH BELGIUM SA (BELGIUM)	Inter-co supplier	111	36
FIRMENICH GRASSE SAS (FRANCE)	Inter-co supplier	49	5
FIRMENICH HOLDINGS (UK) LTD	Inter-co supplier	3,061	3,062
FIRMENICH & CIA LTDA (BRAZIL)	Inter-co customer	16	-
		<u>5,477</u>	<u>5,280</u>

FIRMENICH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2018

26. RELATED PARTY TRANSACTIONS (Continued)

Related parties' amounts outstanding at 30 June 2018 are unsecured, interest free and will be settled according to the credit terms determined between Firmenich UK Limited and each intercompany supplier / customer.

The remuneration of the executive directors, who are the key management personnel of the company, is set out in note 4.

27. SUBSEQUENT EVENTS

The sale of the companies Wellingborough site was transacted on the 28th September 2018. The profit, to be recognised in the FY19 accounts, was £2.9m GBP.