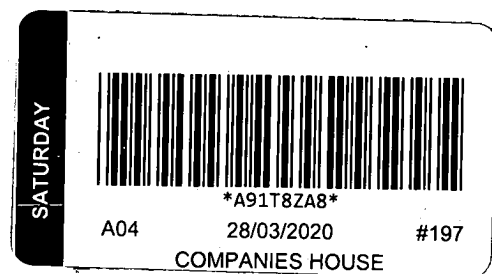


Registered number: 10993941

**FRUTAROM FRAGRANCES (UK) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2018**



# FRUTAROM FRAGRANCES (UK) LIMITED

## COMPANY INFORMATION

<b>Directors</b>	Keren Khazon Cohen (appointed 3 October 2017) Israel Leshem (appointed 3 October 2017) Amos Anatot (appointed 3 October 2017, resigned 17 December 2018) Alon Shmuel Granot (appointed 3 October 2017, resigned 17 December 2018) Ori Yehudai (appointed 3 October 2017, resigned 17 December 2018)
<b>Registered number</b>	10993941
<b>Registered office</b>	2nd Floor 167-169 Great Portland Street, London, W1W 5PF
<b>Independent auditors</b>	HGA Accountants & Financial Consultants Limited 7 Bell Yard Strand London WC2A 2JR UNITED KINGDOM

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**FRUTAROM FRAGRANCES (UK) LIMITED**

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## FRUTAROM FRAGRANCES (UK) LIMITED

### GROUP STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

#### Introduction

The Directors present their strategic report on Frutarom Fragrances (UK) Limited and its subsidiaries (hereafter "the Group") for the period ended 31 December 2018.

#### Principal Activity

The Group is engaged in production of essential oils, cosmetics and toilet articles, and retail sale of cosmetics and toilet articles. Frutarom Fragrances (UK) Limited is currently not carrying out any trading activities. The Group results reflect the commercial business activities, which are being carried out by the subsidiary companies based in Poland and Ukraine.

#### Business review

For the 15-months period ended 31 December 2018, the Group has earned a revenue of £4,769 thousand. Loss before tax was £497 thousand. Losses are mainly attributable to higher administrative expenses and amortization cost of goodwill on acquisition of "Fabryka Substancji Zabachowych "Pollen-Aroma" Sp. z o.o".

In 2018, the Group has earned one-off other income of £253 thousand which is attributable to the sale of a plot of land in Poland.

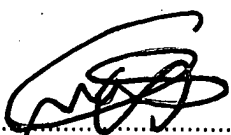
#### Principal risks and uncertainties

Achieving and sustaining continuous profitable growth is critical for the success of the Group. The Group has strong support from its shareholder and the new leadership team is expected to implement an innovative strategy to drive the growth and profitability in the future years.

#### Outlook

"Pollen-Aroma" has a very strong market presence in Poland and in export markets. Further, it has a strong brand recognition in the retail segment of essential oils, cosmetics and toilet articles. Acquisition of Pollen-Aroma has provided Frutarom Fragrances (UK) Limited a strategic access to the growth markets. We look forward to a significant growth in revenue and profitability of the Group as a result of implementation of an innovative business strategy by the new leadership.

This report was approved by the board and signed on its behalf.



.....  
Keren Khazon Cohen  
Director

Date: 23 March 2020

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## FRUTAROM FRAGRANCES (UK) LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

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The Directors present their report and the financial statements for the period ended 31 December 2018.

#### Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Results and dividends

The loss for the period, after taxation, amounted to £478,159.

The board has not declared a dividend for the period.

#### Directors

The Directors who served during the period were:

Keren Khazon Cohen (appointed 3 October 2017)

Israel Leshem (appointed 3 October 2017)

Amos Anatot (appointed 3 October 2017, resigned 17 December 2018)

Alon Shmuel Granot (appointed 3 October 2017, resigned 17 December 2018)

Ori Yehudai (appointed 3 October 2017, resigned 17 December 2018)

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**FRUTAROM FRAGRANCES (UK) LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**Disclosure of information to auditors**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Group since the period end.

**Auditors**

The auditors, HGA Accountants & Financial Consultants Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



.....  
**Keren Khazon Cohen**  
Director

Date: 23 March 2020

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## FRUTAROM FRAGRANCES (UK) LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FRUTAROM FRAGRANCES (UK) LIMITED

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#### Opinion

We have audited the financial statements of Frutarom Fragrances (UK) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the period ended 31 December 2018, which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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 Group's or the parent 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.

#### 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 Auditors' 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

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**FRUTAROM FRAGRANCES (UK) LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FRUTAROM FRAGRANCES (UK) LIMITED (CONTINUED)**

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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 this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 2, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.



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**FRUTAROM FRAGRANCES (UK) LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FRUTAROM FRAGRANCES (UK) LIMITED (CONTINUED)**

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**Auditors' 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 Auditors' 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.



**MR NAVEED AHMAD (Senior Statutory Auditor)**

**For and on behalf of**

**HGA ACCOUNTANTS & FINANCIAL CONSULTANTS LIMITED, Statutory Auditor**

7 Bell Yard  
Strand  
London  
WC2A 2JR

Date: 23 March 2020

**FRUTAROM FRAGRANCES (UK) LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Note	Period ended 31 December 2018 £
Turnover	4	4,768,988
<b>Total turnover</b>		<b>4,768,988</b>
Consumption of materials		(3,128,219)
Operating, general and administrative expenses		(2,504,408)
Other operating income	5	506,640
Other operating charges		(99,070)
<b>Operating loss</b>		<b>(456,069)</b>
Financial income		9,787
Financial expenses		(50,659)
<b>Loss before tax</b>		<b>(496,941)</b>
Tax on loss	6	18,782
<b>Loss for the financial period</b>		<b>(478,159)</b>
<b>Loss for the period attributable to:</b>		
Owners of the parent		(478,159)
		<b>(478,159)</b>

The notes on pages 15 to 31 form part of these financial statements.

**FRUTAROM FRAGRANCES (UK) LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Period ended 31 December 2018 £
Note	
Loss for the financial period	(478,159)
<b>Other comprehensive income</b>	
Currency translation differences	2,260
<b>Other comprehensive income for the period</b>	2,260
<b>Total comprehensive income for the period</b>	(475,899)
<b>Loss for the period attributable to:</b>	
Owners of the parent Company	(478,159)
	(478,159)
<b>Total comprehensive income attributable to:</b>	
Owners of the parent Company	(475,899)
	(475,899)

The notes on pages 15 to 31 form part of these financial statements.

**FRUTAROM FRAGRANCES (UK) LIMITED**  
**REGISTERED NUMBER: 10993941**

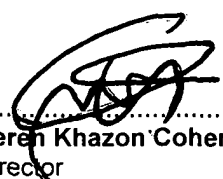
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £
<b>Fixed assets</b>		
Intangible assets	8	1,898,010
Tangible assets	9	4,232,647
		<u>6,130,657</u>
<b>Current assets</b>		
Stocks	11	866,613
Deferred income tax asset	12	26,800
Debtors: amounts falling due within one year	12	1,081,806
Cash at bank and in hand	13	299,129
		<u>2,274,348</u>
Creditors: amounts falling due within one year	14	(1,698,248)
<b>Net current assets</b>		<u>576,100</u>
<b>Total assets less current liabilities</b>		<u>6,706,757</u>
Creditors: amounts falling due after more than one year	15	(1,208,367)
		<u>5,498,390</u>
Provision for retirement and similar benefits		(123,178)
<b>Net assets</b>		<u><u>5,375,212</u></u>
<b>Capital and reserves</b>		
Issued share capital	17	1
Contributed capital		6,185,951
Translation reserve		2,260
Other reserves		23,879
Accumulated losses		(836,879)
<b>Equity attributable to owners of the parent Company</b>		<u><u>5,375,212</u></u>
		<u><u>5,375,212</u></u>

**FRUTAROM FRAGRANCES (UK) LIMITED**  
**REGISTERED NUMBER: 10993941**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2018**

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
.....  
**Keren Khazon Cohen**  
Director

Date: 23 March 2020


The notes on pages 15 to 31 form part of these financial statements.

**FRUTAROM FRAGRANCES (UK) LIMITED**  
**REGISTERED NUMBER: 10993941**

**PARENT COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £
<b>Fixed assets</b>		
Investments	10	6,185,952
		<u>6,185,952</u>
<b>Total assets</b>		<u>6,185,952</u>
		<u>6,185,952</u>
<b>Net assets</b>		<u>6,185,952</u>
<b>Capital and reserves</b>		
Issued share capital	17	1
Contributed capital		6,185,951
		<u>6,185,952</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
 .....  
**Keren Khazon Cohen**  
 Director

Date: 23 March 2020

The notes on pages 15 to 31 form part of these financial statements.

**FRUTAROM FRAGRANCES (UK) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Issued share capital £	Contributed capital £	Translation reserve £	Other reserves £	Accumulated losses £	Total equity £
Acquisition reserves	-	-	-	23,879	-	23,879
<b>Comprehensive income for the period</b>						
Loss for the period	-	-	-	-	(478,159)	(478,159)
Currency translation differences	-	-	2,260	-	-	2,260
Payment of dividend	-	-	-	-	(358,720)	(358,720)
Addition during the period	1	6,185,951	-	-	-	6,185,952
<b>Total transactions with owners</b>	<b>1</b>	<b>6,185,951</b>	<b>-</b>	<b>-</b>	<b>(358,720)</b>	<b>5,827,232</b>
<b>At 31 December 2018</b>	<b>1</b>	<b>6,185,951</b>	<b>2,260</b>	<b>23,879</b>	<b>(836,879)</b>	<b>5,375,212</b>

The notes on pages 15 to 31 form part of these financial statements.

**FRUTAROM FRAGRANCES (UK) LIMITED**

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Issued share capital £	Contributed capital £	Total equity £
<b>Contributions by and distributions to owners</b>			
Addition during the period	1	6,185,951	6,185,952
<b>At 31 December 2018</b>	<u>1</u>	<u>6,185,951</u>	<u>6,185,952</u>

The notes on pages 15 to 31 form part of these financial statements.



**FRUTAROM FRAGRANCES (UK) LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	2018 £
<b>Cash flows from operating activities</b>	
Loss for the financial period	(478,159)
<b>Adjustments for:</b>	
Amortisation of intangible assets	217,752
Depreciation of tangible assets	435,143
Gain on disposal of tangible assets	(253,200)
Subsidy	(168,800)
Taxation charge	(18,782)
Increase in stocks	(208,298)
Increase in debtors	(132,938)
Increase in creditors	476,813
Corporation tax paid	(45,154)
<b>Net cash used in operating activities</b>	<u>(175,623)</u>
<b>Cash flows from investing activities</b>	
Purchase of tangible fixed assets	(16,346)
Sale of tangible fixed assets	259,640
<b>Net cash from investing activities</b>	<u>243,294</u>
<b>Cash flows from financing activities</b>	
Non-equity dividends paid	(358,720)
Movement in reserves	37,339
<b>Net cash used in financing activities</b>	<u>(321,381)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(253,710)</u>
Cash and cash equivalents on acquisition	187,550
Currency translations	52,956
<b>Cash and cash equivalents at the end of period</b>	<u><u>(13,204)</u></u>
<b>Cash and cash equivalents at the end of period comprise:</b>	
Cash at bank and in hand	299,129
Bank overdrafts	(312,333)
	<u><u>(13,204)</u></u>

## FRUTAROM FRAGRANCES (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

#### 1. General information

Frutarom Fragrances (UK) Limited (hereinafter- "the Company") was incorporated in England under the Companies Act 2006 as a private company on 3 October 2017, with Company Number 10993941. The Company and its subsidiaries companies ("the Group") are engaged in production of essential oils, production of cosmetics and toilet articles, and retail sale of cosmetics and toilet articles.

The company is being held by Turpaz Perfume & Flavor Extracts Ltd (100%).

These financial statements have been prepared for the period from 3 October 2017 to 31 December 2018.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements.

The following principal accounting policies have been applied:

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being Sunday, January 1, 2017.

##### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.2 Basis of consolidation (continued)**

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

**Functional currency and presentation currency**

The presentation currency of the financial statements is the GBP Pound. The Group determines the functional currency of each Group entity, including companies accounted for at equity, and this currency is used to separately measure each Group entity's financial position and operating results. The functional currency of the Company is the GBP Pound.

When an investee's functional currency differs from the Company's functional currency ("foreign operation") its financial statements are translated into the Company's functional currency so that they can be included in the consolidated financial statements. Assets and liabilities are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all the relevant periods.

Exchange differences arising on translation of the foreign controlled entity are recognized in other comprehensive income and accumulated in a separate reserve within equity.

**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.4 Interest income**

Interest income is recognised in the Consolidated Profit and Loss Account using the effective interest method.

**2.5 Finance costs**

Finance costs are charged to the Consolidated Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.6 Borrowing costs**

All borrowing costs are recognised in the Consolidated Profit and Loss Account in the period in which they are incurred.

**2.7 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)****2.8 Intangible assets****Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Profit and Loss Account over its useful economic life.

**Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Computer software	-	20 %
Goodwill	-	10 %

**2.9 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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**2. Accounting policies (continued)**

**2.9 Tangible fixed assets (continued)**

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Building	-	3%
Plant and machinery	-	14%
Motor vehicles	-	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Profit and Loss Account.

**2.10 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**2.11 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.12 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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**FRUTAROM FRAGRANCES (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.13 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**2.14 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.15 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Profit and Loss Account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**2.16 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.16 Financial instruments (continued)**

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

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

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.17 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.



**FRUTAROM FRAGRANCES (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

**4. Turnover**

An analysis of turnover by class of business is as follows:

	Period ended 31 December 2018 £
Sale of products	4,768,988
	<u>4,768,988</u>

Analysis of turnover by country of destination:

	Period ended 31 December 2018 £
Poland	4,579,439
Rest of the world	189,549
	<u>4,768,988</u>

**5. Other operating income**

	Period ended 31 December 2018 £
Other operating income	506,640
	<u>506,640</u>

Other operating income is attributable to a subsidiary based in Poland and mainly includes proceeds from the sale of a plot of land (£253,200) and settlement of the subsidy (£168,800).

# FRUTAROM FRAGRANCES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

### 6. Taxation

	Period ended 31 December 2018 £
<b>Deferred income tax</b>	
Change to net deferred income tax asset	(18,782)
	<u>(18,782)</u>
<b>Deferred tax</b>	<u>(18,782)</u>
<b>Current tax</b>	<u>-</u>
<b>Taxation on loss on ordinary activities</b>	<u>(18,782)</u>

### Factors affecting tax charge for the period

There were no factors that affected the tax charge for the period which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 19%. Corporation tax is attributable to the subsidiaries incorporated in various jurisdictions other than England.

### Corporation Taxes

Tax rates applicable to the Group / the Company:

1. The corporation tax rate for companies incorporated in England is 19% in 2018.
2. The principal tax rates applicable to the subsidiaries whose place of incorporation is outside England are:
  - (a) The Poland corporation tax rate was 19% in 2018.
  - (b) The corporation tax rate in Ukraine is 18%.

### 7. Employees

Staff costs for the period were £1,303 thousand. At 31 December 2018, the Group has 67 employees other than the Directors of the parent company.

The parent company has no employees other than the Directors, who did not receive any remuneration.

**FRUTAROM FRAGRANCES (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

**8. Intangible assets**

**Group and Company**

	Computer software £	Goodwill £	Total £
<b>Cost</b>			
On acquisition of subsidiaries	12,928	2,102,834	2,115,762
At 31 December 2018	12,928	2,102,834	2,115,762
<b>Amortisation</b>			
Charge for the year	7,469	210,283	217,752
At 31 December 2018	7,469	210,283	217,752
<b>Net book value</b>			
At 31 December 2018	5,459	1,892,551	1,898,010

Goodwill is recognised by the Company on acquisition of a subsidiary "Fabryka Substancji Zapachowych "Pollena-Aroma" sp. z o.o." during the period (Refer to note 18).

**FRUTAROM FRAGRANCES (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

**9. Tangible fixed assets**

**Group**

	Freehold property £	Buildings, premises, rights to premises & civil engineering structure £	Plant and machinery £	Motor vehicles £	Other fixed assets £	Total £
<b>Cost or valuation</b>						
Additions	-	-	5,066	4,602	6,678	16,346
Acquisition of subsidiary	506,408	3,525,315	662,878	-	13,979	4,708,580
Disposals	(6,141)	-	(7,250)	-	-	(13,391)
Exchange adjustments	(5,452)	(37,956)	(7,137)	-	(151)	(50,696)
At 31 December 2018	<u>494,815</u>	<u>3,487,359</u>	<u>653,557</u>	<u>4,602</u>	<u>20,506</u>	<u>4,660,839</u>
<b>Depreciation</b>						
Charge for the period on owned assets	-	143,682	285,443	-	6,018	435,143
Disposals	-	-	(6,951)	-	-	(6,951)
At 31 December 2018	<u>-</u>	<u>143,682</u>	<u>278,492</u>	<u>-</u>	<u>6,018</u>	<u>428,192</u>
<b>Net book value</b>						
At 31 December 2018	<u>494,815</u>	<u>3,343,677</u>	<u>375,065</u>	<u>4,602</u>	<u>14,488</u>	<u>4,232,647</u>

Fixed assets primarily include the production facility located in Nowy Dwór Mazowiecki at ul. Przemysowa in Poland, along with complete equipment – plant to produce fragrances. The facility was built in 2012 by Prochem S.A. The construction of the facility and its equipment was financed with a subsidy under the innovative economy programme. Project title: "Implementation of an innovative production technology of concentrated food aromas, fragrance compositions, cosmetics".

# FRUTAROM FRAGRANCES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

### 10. Fixed asset investments

#### Group

- No investments carried at Group level.

#### Company

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
Additions	6,185,952
At 31 December 2018	<u>6,185,952</u>

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Fabryka Substancji Zapachowych "Pollena-Aroma" sp. z o.o.	Poland	Ordinary	100%
Pollena-Aroma Ukraina TOV (Indirect)	Ukraine	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the period ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Fabryka Substancji Zapachowych "Pollena-Aroma" sp. z o.o.	3,723,780	(260,292)
Pollena-Aroma Ukraina TOV (Indirect)	28,650	4,730

**FRUTAROM FRAGRANCES (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

**11. Stocks**

	Group 2018 £
Raw materials and consumables	656,295
Work in progress	11,550
Finished goods and goods for resale	198,768
	<u>866,613</u>

Inventories are disclosed in the statement of financial position net of impairment allowances.

**12. Debtors**

	Group 2018 £	Company 2018 £
<b>Due after more than one year</b>		
Deferred tax asset	26,800	-
	<u>26,800</u>	<u>-</u>
 <b>Due within one year</b>		
Trade debtors		1,050,828
Other debtors		6,526
Prepayments and accrued income		24,452
		<u>1,081,806</u>

# FRUTAROM FRAGRANCES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

### 13. Cash and cash equivalents

	Group 2018 £
Cash at bank and in hand	299,129
Less: bank overdrafts	(312,333)
	<u>(13,204)</u>

Cash at bank includes £210 thousand (PLN 1,000 thousand) security deposit under the loan (refer note 14).

### 14. Creditors: Amounts falling due within one year

	Group 2018 £
Bank overdrafts	312,333
Trade creditors	922,537
Other taxation and social security	89,612
Other creditors	367,588
Accruals and deferred income	6,178
	<u>1,698,248</u>

As at 31 December 2018, a subsidiary in Poland had an overdraft facility with Bank Pekao S.A. The facility is to be repaid by 30 October 2019. The facility limit is £317 thousand (PLN 1,500 thousand) (the actually drawn amount is £230 thousand (PLN 1,098 thousand)). Interest rate: WIBOR 1M plus a margin of 1.3 pp. As at 31 December 2018, the interest rate applicable to the loan was 2.94%.

As at 31 December 2018, a subsidiary in Poland also had an overdraft facility with mBank S.A. The facility limit is £211 thousand (PLN 1,000 thousand) (the actually drawn amount is £ 82,472 (PLN 394 thousand)). Interest rate: WIBOR O/N plus a margin of 1.3 pp.

Above loan facilities are secured as follows

- a) Mortgage on the assets £470 thousand (PLN 2,250 thousand).
- b) Security deposit under the loan £210 thousand (PLN 1,000 thousand).

<b>FRUTAROM FRAGRANCES (UK) LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

**15. Creditors: Amounts falling due after more than one year**

	Group 2018 £
Subsidies from PARP	1,208,367
	<u>1,208,367</u>

A subsidiary in Poland received a subsidy under the co-financing agreement UDA-POIG.04.04.00-14-015/09-00 under measure 4.4. New investments with a high innovative potential in priority axis 4 Investments in innovative projects under the Operating Program Innovative Economy 2007-2013.

The subsidy was applied to finance the construction of the production facility with equipment. Investment carried out in 2012.

**16. Financial instruments**

	Group 2018 £
<b>Financial assets</b>	
Financial assets measured at fair value through profit or loss	299,129
Financial assets that are debt instruments measured at amortised cost	1,056,670
	<u>1,355,799</u>
 <b>Financial liabilities</b>	
Financial liabilities measured at amortised cost	<u>(2,817,004)</u>

The Company has no financial assets as at 31 December 2018.

**17. Share capital**

	2018 £
<b>Allotted, issued and fully paid</b>	
1 Ordinary share of £1.00	<u>1</u>



# FRUTAROM FRAGRANCES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

### 18. Acquisition of a subsidiary

On 19 December 2017, the Company has acquired 99.96% of the issued share capital and voting rights of Fabryka Substancji Zabachowych "Pollen-Aroma" Sp. Z o.o, which is based in Poland, and is a manufacturer of essential oils, cosmetics and toilet products.

Purchase consideration for the acquisition was as follows:

a) cash consideration of € 500 per share for the acquisition of 13,923 shares i.e. € 6,961,500 (£6,185,952).

b) Contingent consideration: Bonus purchase price of € 20 per share which will be released to the sellers in two installments, 50% following 12 months from the closing of the transaction and the remaining 50% following 24 months from the closing of the transaction, provided that there are no indemnity or warranty claims by Frutarom Fragrances (UK) Limited on the respective release dates.

Cash consideration of € 6,961,500 equivalent to PLN 29,248,835 was paid to the sellers on 20 December 2017.

### Recognised amount of identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Details of assets and liabilities acquired	At 31 December 2017
	£
Cash and bank	279,047
Intangible assets	12,928
Tangible fixed assets	4,708,580
Fixed assets under construction	5,077
Long term investment	8,393
Deferred income tax asset	8,892
Inventory	658,315
Trade receivables	904,809
Other receivables	10,396
Short term prepayments	33,653
Trade and other payables	(501,512)
Other liabilities	(481,405)
Tax liabilities	(135,640)
Accruals	(1,428,415)
<b>Total identifiable net assets acquired</b>	<b>4,083,118</b>
Less: Consideration paid	6,185,952
<b>Goodwill on acquisition</b>	<b>2,102,834</b>

Net assets at 31 December 2017 are considered to determine the amount of identifiable assets acquired and liabilities assumed.

Carrying value of assets and liabilities acquired approximate their fair values. Therefore, no fair value adjustments were made.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

**19. Operating lease commitments**

At 31 December 2018, operating lease commitments is £155,480.

**20. Contingent liability**

In Poland, the legal regulations concerning VAT, corporate income tax, personal income tax or social insurance premiums are subject to frequent modifications and therefore frequently there is no reference to common regulations or legal precedents. The applicable regulations also contain certain ambiguities that result in differences of opinion as to legal interpretations of tax regulations – among public authorities, and between public authorities and enterprises. Tax settlements and other areas of operations (for instance customs or foreign exchange issues) may be inspected by the authorities that are entitled to impose material penalties and such additional tax liabilities resulting from inspections that have to be paid along with high interest. As a result, tax risks in Poland are higher than in countries with a more developed tax system.

In Poland, tax returns may be subject to inspections for periods of five years. As a result, the amounts disclosed in the financial statements may be modified at a later date when they are finally approved by tax authorities.

**21. Controlling party**

**Group and company**

The parent company is Turpaz Perfume and Flavor Extracts Ltd, incorporated in Israel. The parent company owns 100% shares of the Group. The ultimate controlling party is Frutarom Ltd., incorporated in Israel.