

Company Registration No. 00741008

SENSIENT COLORS UK LIMITED

Annual Report and Financial Statements

Year Ended 31 December 2016

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REPORT AND FINANCIAL STATEMENTS 2016

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SENSIENT COLORS UK LIMITED
Company Registration No 00741008

REPORT AND FINANCIAL STATEMENTS 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N Laroia
J Makal
B M Connors

REGISTERED OFFICE

Oldmedow Road
Hardwick Industrial Estate
King's Lynn
Norfolk
PE30 4LA

BANKERS

HSBC Bank plc
62-76 Park Street
Southwark
London
SE1 9DZ

AUDITOR

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF THE BUSINESS

The company's key financial and other performance indicators during the year are as follows:

	2016 £'000	2015 £'000	Change %
Turnover	11,797	13,638	-13.5 %
Profit after tax	1,802	306	489%
Current assets as % of current liabilities	128%	125%	2.4%

Sickness absence	1.8%	1.9%
Average no. of employees	72	92

Sensient Colors UK Limited was involved in continued restructuring during 2016 as part of the Corporate decision to consolidate manufacturing across the Sensient Group. Bulk synthetic dye and lake production ceased in King's Lynn with a resulting decrease in the headcount. Hair dye production and secondary manufacturing (dispersions, blending and packing) remain in King's Lynn. This restructuring allows Sensient Colors UK Limited to focus entirely on the Industrial colours market for Europe, Middle East and Africa.

This market is dominated by Household, Industrial and Institutional customers, together with Agrochemicals, Seed coatings and other niche opportunities and is approached by direct sales and distribution partners.

Sales revenue fell 13% in 2016 due to reduced demand in Europe and the political situation in the Middle East and North Africa. The gross profit, however, increased due to improved product mix and increased sales of hair dyes to affiliate companies.

On 29 June 2015, Sensient Imaging Technologies in Switzerland acquired the trade and assets of Xennia Technologies Ltd based in Letchworth, UK. All production ceased in the UK but as part of this acquisition Sensient Colors UK acquired the employees and certain assets and liabilities based in the Technical Ink Solutions and support services in the UK. These services are recharged to Sensient Imaging Technologies on a monthly basis.

On 30 June 2016, the company entered into a nonmonetary property swap with the local council. This allowed the company to consolidate onto a single site and much of the capital expenditure in 2016 relates to the initial phases of consolidating the production facilities. Projected expenditure in 2017 and 2018 is expected to increase as the company looks to continue this consolidation, resulting in improved production work flows and will also include new office accommodation.

The regulatory environment continues to be challenging with the EU REACH directives requiring significant expenditure to enable the business to remain compliant, although we are progressing well towards the deadline of 2018.

STRATEGIC REPORT (continued)

REVIEW OF THE BUSINESS (continued)

The outlook for the business remains strong as we continue to find opportunities in our markets through the direct sales force, increasing the number of projects and penetration into existing key accounts and new customers, which are improving but we need to follow this with resultant increases in revenue. We are working closely with our trade customers and affiliate partners to review market opportunities which should see our business grow substantially in the coming years.

The company's "quick ratio" (current assets as a percentage of current liabilities) is in line with prior year.

Headcount in King's Lynn decreased by 13 people due to the restructuring. There was also a 7 person decrease in the Letchworth office.

Sickness level is in line with prior year.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including price risk, credit risk, currency risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Currency risk

The company minimizes its exposure by using natural offsets within the balance sheet. The company also sells forward foreign currency contracts to hedge currency exposure on firm future commitments.

Credit risk

The company's principal financial assets are bank and cash balances and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the relating cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses debt finance from Sensient Finance Ireland as required.

SAFETY

Whilst the company has a reputation for high safety standards, it remains committed to improving its accident prevention systems further. The safety audit scheme continues to provide a useful measure of site performance against British Safety Council Standards, as well as identifying areas for improvement.

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

N Laroia
Director



Date: 25 September 2017

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is the manufacture and distribution of synthetic and natural colours for the industrial and cosmetic industries.

For a review of the business please see Strategic Report on pages 2 to 4.

DIVIDENDS

A dividend of £1,450,000 (2015: £700,000) was paid in December 2016 to Sensient Holdings UK in relation to the ordinary shares.

DIRECTORS

The directors who served during the year were as follows:

J Makal
N Laroia
B M Connors

DIRECTORS' INDEMNITIES

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

GOING CONCERN

After making enquires and reviewing the company's forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

FUTURE DEVELOPMENT

Sensient Colors UK Limited has a strong future as an added value manufacturing company, supporting customers throughout Europe, Middle East and Africa.

DIRECTORS' REPORT (continued)

ELECTIVE RESOLUTION

At the Annual General Meeting held on 29 December 1993 elective resolutions were passed to dispense with the following requirements:

- a) To lay directors' reports and financial statements before the members in a general meeting.
- b) To hold Annual General Meetings
- c) To appoint auditors annually.

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



N Laroia
Director

Date : 25 September 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSIENT COLORS UK LIMITED

We have audited the financial statements of Sensient Colors UK Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSIENT COLORS UK LIMITED

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements.
- the 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 light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept by the company, 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.

Ernst & Young LLP

Farzin Radfar (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Luton

Date: *27 September 2017*

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Note	2016 £	2015 £
TURNOVER	4	11,797,210	13,637,578
Cost of sales		<u>(7,458,413)</u>	<u>(9,888,864)</u>
GROSS PROFIT		4,338,797	3,748,714
Distribution costs		(1,007,066)	(944,763)
Administrative expenses – restructuring costs	6	(45,778)	(1,339,414)
Administrative expenses - other		(1,001,479)	(1,079,836)
Other operating income	7	<u>-</u>	<u>112,000</u>
OPERATING PROFIT	8	2,284,474	496,701
Profit on disposal of tangible fixed assets	9	<u>4,500</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		2,288,974	496,701
Interest payable and similar expenses	10	<u>(11,999)</u>	<u>(29,777)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,276,975	466,924
Tax on profit on ordinary activities	11	<u>(474,548)</u>	<u>(160,994)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,802,427	305,930
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>1,802,427</u>	<u>305,930</u>

All activities derive from continuing operations.

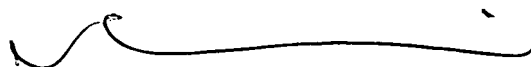
STATEMENT OF FINANCIAL POSITION
31 December 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Intangible assets	13	528,586	679,611
Tangible assets	14	3,860,714	3,337,361
		<hr/>	<hr/>
		4,389,300	4,016,972
CURRENT ASSETS			
Stocks	15	3,655,008	4,065,138
Debtors	16	2,115,330	2,365,577
Cash at bank and in hand		11,600	18,931
		<hr/>	<hr/>
		5,781,938	6,449,646
CREDITORS: amounts falling due within one year	17	(4,502,527)	(5,150,334)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,279,411	1,299,312
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,668,711	5,316,284
		<hr/>	<hr/>
NET ASSETS		5,668,711	5,316,284
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	19	87,051	87,051
Profit and loss account		5,581,660	5,229,233
		<hr/>	<hr/>
TOTAL EQUITY		5,668,711	5,316,284
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

25 SEP 2017

N Laroia
Director



STATEMENT OF CHANGES IN EQUITY
31 December 2016

	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2015	87,051	5,623,303	5,710,354
Profit for the year	-	305,930	305,930
Dividend paid (Note 12)	-	(700,000)	(700,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	87,051	5,229,233	5,316,284
Profit for the year	-	1,802,427	1,802,427
Dividend paid (Note 12)	-	(1,450,000)	(1,450,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	<u>87,051</u>	<u>5,581,660</u>	<u>5,668,711</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

1. STATUTORY INFORMATION

Sensient Colors UK Limited is a private company, limited by shares and domiciled in England and Wales, registration number 741008.

The registered office is shown on page 1.

2. STATEMENT OF COMPLIANCE

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2016.

The entity is a qualifying entity and has taken advantage of the following disclosure exemptions under the FRS 102 reduced disclosure framework:

- (a) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv).
- (b) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- (c) The requirements of Section 11 Basic Financial Instruments paragraph 11.39 to 11.48A.
- (d) The requirements of Section 33 Related Party Transactions paragraph 33.7.
- (e) The requirements of Section 12 Other Financial Instruments Issues paragraph 12.26 to 12.29A.

3. ACCOUNTING POLICIES

Basis of preparation and principal accounting policies

The financial statements are prepared under the historical cost convention. The functional currency and presentation currency is sterling.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments

As a lessee the company obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

Research and Development

Research and development expenditure is written off as incurred through the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

3. ACCOUNTING POLICIES (continued)

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 11.

Significant accounting policies

Goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the Statement of Financial Position and amortised on a straight line basis over its useful life.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the Statement of Comprehensive Income is taken into account in determining the profit or loss on sale or discontinuance.

Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the Statement of Comprehensive Income unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent year if and only if the reasons for the impairment loss have ceased to apply.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

3. ACCOUNTING POLICIES (continued)

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets with the exception of freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold buildings	2% - 4.0% per annum on cost
Plant and machinery	6.7% - 33.3% per annum on cost

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale - purchase cost on a first-in, first-out basis.

Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements, except that:

where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and

unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

3. ACCOUNTING POLICIES (continued)

Foreign exchange

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Leases

Rentals payable under operating leases are charged in the Statement of Comprehensive Income on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Pension costs

The company operates money purchase contributory pension schemes for which contributions are charged monthly in the income statement as they accrue.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

The company does not undertake any hedge accounting transactions.

Revenue Recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

4. TURNOVER

Turnover represents amounts derived from the provision of goods which fall within the company's ordinary activities after deduction of value added tax.

The company operates in two principal areas of activity, these being the manufacture and sale of synthetic & natural colours and the sales of software solutions for Inkjet printers in the UK and abroad.

Turnover is analysed as follows:

Industrial Colors business : Turnover arising from the sales of synthetic and natural colours in the UK and abroad.

Geographical analysis of turnover by destination:

	2016 £	2015 £
United Kingdom	1,189,352	1,490,852
Rest of the world	10,301,401	11,843,088
	<u>11,490,753</u>	<u>13,333,940</u>

Inkjet Solutions business : Turnover arising from the sales of software solutions for Inkjet printers

Geographical analysis of turnover by destination:

	2016 £	2015 £
United Kingdom	6,505	12,481
Rest of the world	299,952	291,157
	<u>306,457</u>	<u>303,638</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2016	2015
	£	£
Directors' emoluments		
Directors' remuneration	123,801	95,536
Pension contributions to money purchase schemes	9,488	8,675
	<u>133,289</u>	<u>104,211</u>
	No.	No.
Number of directors who received shares in respect of qualifying services	<u>-</u>	<u>-</u>
Number of directors who exercised share options	<u>-</u>	<u>-</u>
Number of directors accruing benefits under a defined benefit pension scheme	<u>-</u>	<u>-</u>
Number of directors accruing benefits under a money purchase scheme	<u>1</u>	<u>2</u>

A management charge of £285,142 (2015: £314,967) in respect of administration costs has been made by Sensient Technologies Corporation, the company's ultimate parent company, which includes directors' remuneration for 2 (2015: 2) of the company's directors which it is not possible to identify separately.

	No.	No.
Average monthly number of persons employed		
Production	28	41
Sales and distribution	16	16
Administration	7	7
Letchworth Office - R&D and Admin - from 29 June 2015	21	28
	<u>72</u>	<u>92</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,708,268	2,894,738
Social security costs	296,464	314,438
Pension costs	280,523	254,451
Termination Costs	70,997	417,351
	<u>3,356,252</u>	<u>3,880,978</u>

Termination costs were incurred in relation to the decommissioned bulk manufacturing plant and costs on the recently acquired Xennia Technologies business.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

6. RESTRUCTURING COSTS

	2016	2015
	£	£
Severance costs	8,664	401,542
Plant and machinery write downs	-	907,684
Other	37,114	30,188
	<u>45,778</u>	<u>1,339,414</u>

As mentioned in the Strategic Report the bulk colour manufacturing plant was decommissioned and the production of the dyes and lakes transferred to other sites within the Sensient group during 2015/ 2016. This was part of a worldwide restructuring plan.

7. OTHER OPERATING INCOME

	2016	2015
	£	£
Other operating income	-	112,000
	<u>-</u>	<u>112,000</u>

Other operating income for 2015 represents the final compensation from an affiliate entity in connection with the Food and Pharmaceutical trade businesses that was completed in 2013.

8. OPERATING PROFIT

	2016	2015
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation of owned assets	425,409	539,469
Amortisation of goodwill	151,025	75,512
Total depreciation and amortisation charge	<u>576,434</u>	<u>614,981</u>
One off costs relating to restructuring (note 6)	45,778	1,339,414
Auditor's remuneration		
Audit of financial statements	46,900	45,500
iXBRL tagging	1,160	1,160
Foreign exchange differences	(16,694)	14,443
Rentals under operating leases		
Hire of plant and machinery	2,988	2,910
Other operating leases	<u>403,185</u>	<u>322,041</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

9. PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS

	2016	2015
	£	£
Profit on disposal of tangible fixed assets	4,500	-
	<u>4,500</u>	<u>-</u>

This profit represents the gain on ownership exchange from the nonmonetary property swap with the local council.

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£	£
Interest on amounts due to Group undertakings	11,999	29,777
	<u>11,999</u>	<u>29,777</u>

11. TAXATION

	2016	2015
	£	£
Current tax		
UK corporation tax on profits for the year	450,121	278,717
Adjustment in respect of previous years	(13,213)	38,420
Total current tax	<u>436,908</u>	<u>317,137</u>
Deferred tax		
Origination and reversal of timing differences	37,538	(163,139)
Adjustment in respect of prior years	3,180	(450)
Effect of changes in tax rates	(3,078)	7,446
Total deferred tax (note 18)	<u>37,640</u>	<u>(156,143)</u>
Total tax per income statement	<u>474,548</u>	<u>160,994</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

11. TAXATION (continued)

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

	2016	2015
	£	£
Profit for the year	2,276,975	466,924
Tax on profit at UK standard rate of 20.00% (2015:20.25%)	455,395	94,536
Effects of:		
Expenses not deductible	32,623	69,603
Income not taxable	(359)	-
Effects of group relief/ other reliefs	-	(29,326)
Losses	-	(19,235)
Adjustments from previous periods	(10,033)	37,970
Tax rate changes	(3,078)	7,446
Total	474,548	160,994

Factors that may affect future tax charges:

The reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and a further reduction to 17% was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 December 2016 is therefore 20% and the rate used for closing deferred tax balances is 17%.

12. DIVIDENDS ON EQUITY SHARES

A dividend of £1,450,000 (2015: £700,000) was paid in December 2016 to Sensient Holdings UK in relation to the ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

13. INTANGIBLE FIXED ASSETS

	Goodwill
	£
Cost	
At 1 January 2016	755,123
Additions in year	-
	<hr/>
At 31 December 2016	755,123
	<hr/>
Amortisation	
At 1 January 2016	75,512
Charge for the year	151,025
	<hr/>
At 31 December 2016	226,537
	<hr/>
Net book value	
At 31 December 2016	528,586
	<hr/>
At 31 December 2015	679,611
	<hr/>

Sensient Colors UK Ltd entered into an asset purchase agreement with Sensient Imaging Technologies S.A, a wholly owned group company on 29 June 2015 for the purchase of the assets and liabilities of the recently acquired Xennia Technologies Ltd for cash consideration of £1,064,446.

Goodwill arising on the acquisition of the business is being amortised evenly over the directors' estimate of its useful life of 5 years.

14. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 January 2016	3,827,745	9,608,821	13,436,566
Additions in year	803,089	755,663	1,558,752
Disposals in year	(534,404)	(931,147)	(1,465,551)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	4,096,430	9,433,337	13,529,767
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2016	2,200,467	7,898,738	10,099,205
Charge for the year	129,298	296,111	425,409
Disposals	(225,200)	(630,361)	(855,561)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	2,104,565	7,564,488	9,669,053
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2016	1,991,865	1,868,849	3,860,714
	<hr/>	<hr/>	<hr/>
At 31 December 2015	1,627,278	1,710,083	3,337,361
	<hr/>	<hr/>	<hr/>

Included in freehold land and buildings is land with a cost of £341,267 (2015: £372,267).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

15. STOCKS

	2016 £	2015 £
Raw materials and consumables	566,030	410,678
Work in progress	589,870	618,312
Finished goods and goods for resale	2,499,108	3,036,148
	<u>3,655,008</u>	<u>4,065,138</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks recognised as an expense in the period were £7,166,832 (2015: £9,584,318)

An impairment loss of £80,285 (2015: £153,095) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock.

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade debtors	981,887	969,045
Amounts owed by fellow group undertakings	812,180	905,752
Other debtors	176,633	194,970
Prepayments and accrued income	133,137	246,677
Deferred tax (note 18)	11,493	49,133
	<u>2,115,330</u>	<u>2,365,577</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade creditors	1,082,175	536,001
Amounts owed to fellow group undertakings	1,546,569	2,787,744
Group relief payable to fellow group companies	1,426,510	1,247,917
Financial liabilities	8,893	25,802
Other taxes and social security	83,520	121,531
Accruals and deferred income	354,860	431,339
	<u>4,502,527</u>	<u>5,150,334</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

18. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

	2016	2015
	£	£
Provision at start of year	(49,133)	107,010
Deferred tax charge to income statement for the year (note 11)	34,460	(155,693)
Adjustment in respect of prior years	3,180	(450)
	<u>(11,493)</u>	<u>(49,133)</u>
(Asset)/provision at end of year	<u>(11,493)</u>	<u>(49,133)</u>

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	2016	2015	2016	2015
	£	£	£	£
Fixed asset timing differences	(8,128)	(27,903)	-	-
Short term timing differences	(3,365)	(21,230)	-	-
	<u>(11,493)</u>	<u>(49,133)</u>	<u>-</u>	<u>-</u>

19. ALLOTTED AND ISSUED SHARE CAPITAL

	2016	2015
	£	£
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid		
87,051 ordinary shares of £1 each	<u>87,051</u>	<u>87,051</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

20. OPERATING LEASE COMMITMENTS

At 31 December 2016 the company had total future minimum lease payments under non-cancellable operating leases as detailed below:

	Land and buildings		Other	
	2016	2015	2016	2015
	£	£	£	£
Within one year	268,750	106,250	78,411	85,276
Between two and five years	243,750	306,250	64,684	56,896
After five years	-	-	-	-
	<u>512,500</u>	<u>412,500</u>	<u>143,095</u>	<u>142,172</u>

21. CAPITAL COMMITMENTS

	2016	2015
	£	£
Contracted for but not provided	<u>29,822</u>	<u>7,840</u>

22. CONTINGENT LIABILITIES

The company was a party at 31 December 2016 and 31 December 2015 to a guarantee to HSBC in respect of Customs and Excise duty and value added tax on imports of £400,000 and a BACS payment guarantee of £400,000. No liability is expected to arise in the normal course of business.

23. DERIVATIVES

The company sells forward foreign currency contracts to hedge currency exposure on firm future commitments. The value of sales to which the company was committed at the balance sheet date amounted to £176,400 (2015: £1,752,200). The fair value of the derivatives held at the balance sheet date, determined by reference to their market values, are as follow:

	2016	2015
	£	£
Forward foreign currency contracts	<u>8,893</u>	<u>25,802</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

24. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

In the opinion of the directors, the company's ultimate parent company and controlling party is Sensient Technologies Corporation, a company incorporated in the United States of America. Sensient Technologies Corporation is the largest and smallest group for which consolidated financial statements are prepared.

Copies of the group financial statements of Sensient Technologies Corporation are filed at the Securities and Exchange Commission, Washington DC.

The company's immediate parent undertaking is Sensient Holdings UK Limited, a company incorporated in the United Kingdom.

25. RELATED PARTY DISCLOSURES

The company is a qualifying entity and has taken advantage of the exemption conferred by FRS 102, from disclosing transactions with other wholly owned members of the Sensient Technologies Corporation group (the consolidated financial statements of which are publicly available) and disclosing key management compensation.