

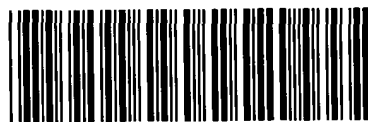
Company Registration No. 00741008

SENSIENT COLORS UK LIMITED

Annual Report and Financial Statements

Year Ended 31 December 2019

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REPORT AND FINANCIAL STATEMENTS 2019

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SENSIENT COLORS UK LIMITED
Company Registration No 00741008

REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N Laroia
N Rasmussen
D Plautz

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

SENSIENT COLORS UK LIMITED
Company Registration No 00741008

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2019.

REVIEW OF THE BUSINESS

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

	2019	2018	Change
	£'000	£'000	%
Turnover	12,694	15,036	-15.6%
Profit after tax	2,097	2,614	-19.8%
Current assets as % of current liabilities	263%	153%	+110%
Sickness absence	2.2%	1.9%	+0.3%
Average no. of employees	69	70	-1.4%

Sensient Colors UK Limited is a manufacturer and distributor of colours for the industrial and cosmetic industries in 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 decreased 15.6% in 2019 due to reduced sales to affiliate companies in the USA and reduced trade customer sales in the Middle East and North Africa. Profit after tax decreased 18.6% due to the reduced revenue, unfavorable product mix and decreased production volumes and the related absorption.

The regulatory environment continues to be challenging with the EU REACH directive coming into force from 28 May 2018 which required significant expenditure to enable the business to remain compliant.

The company's "quick ratio" (current assets as a percentage of current liabilities) increased in 2019 to 263% (2018: 153%). Inventory had increased due to increased hair dye stock, following the slowdown in intracompany sales, and cash holdings were higher. Trade creditors decreased due to timing of third party supplies and the reduction in Group relief payable.

Headcount in King's Lynn increased by 1. There was a 2 person decrease in the Letchworth office.

Sickness level increased slightly over prior year to 2.2% from 1.9%.

STRATEGIC REPORT (continued)

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 buys 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 risk is mitigated by obtaining credit reports for all new customers.

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.

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 Laroiya
Director

Date: 22 December 2020

SENSIENT COLORS UK LIMITED
Company Registration No 00741008

DIRECTORS' REPORT (continued)

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

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 3.

DIVIDENDS

No dividend was paid in 2019 (2018: £Nil).

DIRECTORS

The directors who held office during the year and to the date of this report, except as stated otherwise, were as follows:

J Makal (resigned 16 Sept 2019)
N Laroiya
B M Connors (resigned 9 March 2020)
N Rasmussen (appointed 16 Sept. 2019)
D Plautz (appointed 11 March 2020)

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 AND EFFECTS OF COVID-19

Subsequent to the balance sheet date, the outbreak and spread of Covid 19 virus was classified as a pandemic by the World Health Organisation. The spread of the virus may disrupt our business along with the business of our customers and suppliers. However, the Sensient group of companies is considered an essential business as we supply the food, pharmaceutical and industrial markets (raw materials for the manufacture of cleaning and sanitation products), and as such have continued to operate during the pandemic lockdown restrictions.

The COVID-19 pandemic has, at the time of approving these financial statements, had significant impact on the Company. The demand for personal care and cosmetic products has decreased significantly as consumer demand for these products has declined, both due to lockdown, and increased mask wearing.

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.

SENSIENT COLORS UK LIMITED
Company Registration No 00741008

DIRECTORS' REPORT (continued)

The directors have prepared forecasts for 2020 and 2021 based on various scenarios. These show that the company should be able to continue to operate profitably and generate positive cashflow. In addition, the company has received a letter of support from its ultimate parent undertaking, Sensient Technologies Corporation, confirming their support to the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approving the 2019 financial statements.

On this basis, the directors have a reasonable expectation that the company has adequate resources to continue as a going concern for a period of at least 12 months from the date of approving the 2019 financial statements. Accordingly, the directors have prepared the financial statements on a going concern basis.

BREXIT

The level of uncertainty around Brexit extends to its impact on our operations and financial performance and the degree to which both will be affected in the long term.

FUTURE DEVELOPMENT

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

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 Laroya
Director

Date: 22 December 2020

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

Opinion

We have audited the financial statements of SENSIENT COLORS UK LIMITED for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 24, 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 FRS 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 company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Other information (continue)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our report

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

DocuSigned by:

Ernst & Young LLP

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Farzin Radfar (Senior statutory auditor)

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

Luton

Date: December 23, 2020

SENSIENT COLORS UK LIMITED
Company Registration No 00741008

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	2019 £	2018 £
TURNOVER	4	12,694,327	15,035,945
Cost of sales		(7,467,323)	(9,274,087)
GROSS PROFIT		5,227,004	5,761,858
Distribution costs		(1,252,299)	(1,174,941)
Administrative expenses		(1,312,454)	(1,295,015)
OPERATING PROFIT	6	2,662,251	3,291,902
Interest receivable and similar income	7	9,862	2,367
Interest payable and similar charges	8	(9,263)	(19,862)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,662,850	3,274,407
Tax on profit on ordinary activities	9	(565,704)	(660,389)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,097,146	2,614,018
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		2,097,146	2,614,018

All activities derive from continuing operations.

The notes on pages 13 to 26 form part of these financial statements.

SENSIENT COLORS UK LIMITED
Company Registration No 00741008


STATEMENT OF FINANCIAL POSITION
31 December 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Intangible assets	11	410,161	711,934
Tangible assets	12	4,045,260	4,105,935
		<u>4,455,421</u>	<u>4,817,869</u>
CURRENT ASSETS			
Stocks	13	4,462,753	3,769,284
Debtors	14	3,193,141	2,678,352
Cash at bank and in hand		13,508	11,326
		<u>7,669,402</u>	<u>6,458,962</u>
CREDITORS: amounts falling due within one year	15	(2,910,014)	(4,212,133)
NET CURRENT ASSETS		<u>4,759,388</u>	<u>2,246,829</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,214,809</u>	<u>7,064,698</u>
PROVISION FOR LIABILITIES	16	89,981	37,016
NET ASSETS		<u>9,124,828</u>	<u>7,027,682</u>
CAPITAL AND RESERVES			
Called up share capital	17	87,051	87,051
Profit and loss account		9,037,777	6,940,631
TOTAL EQUITY		<u>9,124,828</u>	<u>7,027,682</u>

The notes on pages 13 to 26 form part of these financial statements.

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

22nd december 2020


N Laroia
Director

SENSIENT COLORS UK LIMITED
Company Registration No 00741008

STATEMENT OF CHANGES IN EQUITY
31 December 2019

	Share Capital (Note 17) £	Retained Earnings £	Total £
Balance at 1 January 2018	87,051	4,326,613	4,413,664
Profit for the year	-	2,614,018	2,614,018
Dividend paid (Note 10)	-	-	-
Balance at 31 December 2018	87,051	6,940,631	7,027,682
Profit for the year	-	2,097,146	2,097,146
Dividend paid (Note 10)	-	-	-
Balance at 31 December 2019	87,051	9,037,777	9,124,828

The notes on pages 13 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

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 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 11.41 to 11.48.
- (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.

Going Concern and effect of Covid-19

Subsequent to the balance sheet date, the outbreak and spread of Covid 19 virus was classified as a pandemic by the World Health Organisation. The spread of the virus may disrupt our business along with the business of our customers and suppliers. However, the Sensient group of companies is considered an essential business as we supply the food, pharmaceutical and industrial markets (raw materials for the manufacture of cleaning and sanitation products), and as such have continued to operate during the pandemic lockdown restrictions.

The COVID-19 pandemic has, at the time of approving these financial statements, had significant impact on the Company. The demand for personal care and cosmetic products has decreased significantly as consumer demand for these products has declined, both due to lockdown, and increased mask wearing.

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 directors have prepared forecasts for 2020 and 2021 based on various scenarios. These show that the company should be able to continue to operate profitably and generate positive cashflow. In addition, the company has received a letter of support from its ultimate parent undertaking, Sensient Technologies Corporation, confirming their support to the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approving the 2019 financial statements.

On this basis, the directors have a reasonable expectation that the company has adequate resources to continue as a going concern for a period of at least 12 months from the date of approving the 2019 financial statements. Accordingly, the directors have prepared the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

3. ACCOUNTING POLICIES (continued)

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.

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill arising on business combinations, and for any intangible assets. These estimates are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill or intangible asset 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

3. ACCOUNTING POLICIES (continued)

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.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets. An intangible asset is derecognised upon disposal or losses when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

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% 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 2019

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 at bank and in hand

Cash at bank and in hand in the balance sheet comprise of 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 of debtors are recognised in the statement of comprehensive income 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.

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 2019

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:

	2019 £	2018 £
United Kingdom	1,494,630	1,742,165
Rest of the world	10,973,514	13,148,895
	<u>12,468,144</u>	<u>14,891,060</u>

Inkjet Solutions business : Turnover arising from the sales of software solutions for Inkjet printers and traded disperse dyes.

Geographical analysis of turnover by destination:

	2019 £	2018 £
United Kingdom	101,782	13,126
Rest of the world	124,401	131,759
	<u>226,183</u>	<u>144,885</u>

Total turnover	<u>12,694,327</u>	<u>15,035,945</u>
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2019 £	2018 £
Directors' emoluments		
Directors' remuneration	129,359	176,430
Pension contributions to money purchase schemes	11,262	10,770
	<u>140,621</u>	<u>187,200</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>1</u>

A management charge of £266,930 (2017: £262,518) in respect of administration costs has been made by Sensient Technologies Corporation, the company's ultimate parent company, which includes directors' remuneration for 2 (2018: 2) of the company's directors which it is not possible to identify separately.

	No.	No.
Average monthly number of persons employed		
Production	39	39
Sales and distribution	15	14
Administration	7	7
Letchworth Office - R&D and Admin	8	10
	<u>69</u>	<u>70</u>

	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,739,796	2,733,076
Social security costs	313,064	305,593
Pension costs	294,043	270,295
	<u>3,346,903</u>	<u>3,308,964</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

6. OPERATING PROFIT

	2019 £	2018 £
Operating profit is stated after charging/(crediting):		
Depreciation of owned assets	505,648	558,470
Amortisation of goodwill	151,025	151,024
Amortisation of other intangible assets	100,560	64,109
Total depreciation and amortisation charge	<u>757,233</u>	<u>773,603</u>
Auditor's remuneration		
Audit of financial statements	50,900	49,700
iXBRL tagging	-	1,500
Foreign exchange differences	(7,022)	28,242
Rentals under operating leases		
Hire of plant and machinery	5,363	5,309
Other operating leases	<u>145,553</u>	<u>146,031</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Interest on amounts due from Group undertakings	8,543	1,263
Interest on overpaid Corporation Tax	1,319	1,104
	<u>9,862</u>	<u>2,367</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Interest on amounts due to Group undertakings	9,263	19,862
	<u>9,263</u>	<u>19,862</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

9. TAXATION

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the year	512,924	660,787
Adjustment in respect of previous years	(10,452)	(18,030)
Total current tax	<u>502,472</u>	<u>642,757</u>
Deferred tax		
Origination and reversal of timing differences	60,219	3,564
Adjustment in respect of prior years	9,352	14,443
Effect of changes in tax rates	(6,339)	(375)
Total deferred tax (Note 16)	<u>63,232</u>	<u>17,632</u>
Total tax per income statement	<u><u>565,704</u></u>	<u><u>660,389</u></u>

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

	2019 £	2018 £
Profit for the year	<u>2,662,850</u>	<u>3,274,407</u>
Tax on profit at UK standard rate of 19.00% (2018:19.00%)	505,942	622,137
Effects of:		
Expenses not deductible	67,201	60,137
Income not taxable	-	(17,923)
Adjustments from previous periods	(1,100)	(3,587)
Tax rate changes	(6,339)	(375)
Total	<u><u>565,704</u></u>	<u><u>660,389</u></u>

Factors that may affect future tax charges:

The Finance (No.2) Act 2015 reduced the rate of Corporation tax from 1 April 2017 to 19% and by a further 1% to 18% from 1 April 2020. In the 2016 Budget, it was announced that the rate of Corporation tax from 1 April 2020 will be reduced further to 17%. This rate received Royal Assent on 15 September 2016. As such, the temporary differences are expected to reverse at the main rate of UK Corporation tax of 17%, being the rate enacted at the balance sheet date, and deferred tax has therefore been provided at this rate.

10. DIVIDENDS ON EQUITY SHARES

No dividend was paid in 2019 (2018: £Nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

11. INTANGIBLE FIXED ASSETS

	Goodwill	Other	Total
	£	£	£
Cost			
At 1 January 2019	755,123	549,506	1,304,629
Additions in year	-	10,208	10,208
Reductions in year	-	(60,396)	(60,396)
	<u>755,123</u>	<u>499,318</u>	<u>1,254,441</u>
At 31 December 2019			
Amortisation			
At 1 January 2019	528,586	64,109	592,695
Charge for the year	151,025	100,560	251,585
	<u>679,611</u>	<u>164,669</u>	<u>844,280</u>
At 31 December 2019			
Net book value			
At 31 December 2019	<u>75,512</u>	<u>334,649</u>	<u>410,161</u>
At 31 December 2018	<u>226,537</u>	<u>485,397</u>	<u>711,934</u>

Goodwill:- 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.

Other:- Following the introduction of the European regulation on the Regulation, Evaluation, Authorisation and Restriction of Chemicals (REACH) on 25 May 2018 the costs of obtaining the necessary access authorisations were capitalised. These costs are being amortised over 5 years on a straight line basis. During 2019 we received some refunds on our original authorisation costs, as more companies were added to the authorisation consortiums, to enable them to trade the respective resources.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

12. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 January 2019	4,604,344	8,896,974	13,501,318
Additions in year	66,786	387,606	454,392
Disposals in year	-	(174,612)	(174,612)
At 31 December 2019	4,671,130	9,109,968	13,781,098
Depreciation			
At 1 January 2019	1,948,024	7,447,359	9,395,383
Charge for the year	220,253	285,395	505,648
Disposals	-	(165,193)	(165,193)
At 31 December 2019	2,168,277	7,567,561	9,735,838
Net book value			
At 31 December 2019	2,502,853	1,542,407	4,045,260
At 31 December 2018	2,656,320	1,449,615	4,105,935

Included in freehold land and buildings is land with a cost of £341,267 (2018: £341,267).

13. STOCKS

	2019 £	2018 £
Raw materials and consumables	915,176	1,117,277
Work in progress	762,252	608,796
Finished goods and goods for resale	2,785,325	2,043,211
	4,462,753	3,769,284

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 £7,401,726 (2018: £9,225,727)

An impairment loss of £65,596 (2018: £48,360) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock.

SENSIENT COLORS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	845,783	970,825
Amounts owed by fellow group undertakings	2,183,002	1,564,565
Other debtors	63,485	77,787
Prepayments and accrued income	100,871	65,175
	<u>3,193,141</u>	<u>2,678,352</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	836,967	1,324,052
Amounts owed to fellow group undertakings	940,014	1,457,330
Corporation tax	223,313	184,934
Group relief payable to fellow group companies	327,686	472,923
Financial liabilities at fair value through profit or loss	11,856	7,269
Other taxes and social security	75,120	74,638
Accruals and deferred income	495,058	690,987
	<u>2,910,014</u>	<u>4,212,133</u>

16. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

	2019 £	2018 £
Provision at start of year	37,016	19,384
Adjustment in respect of prior years (note 9)	9,352	14,443
Deferred tax charge to income statement for the year (note 9)	53,880	3,189
Movement arising from the transfer of trade	(10,267)	-
Provision at end of year	<u>89,981</u>	<u>37,016</u>

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

	Provided		Not provided	
	2019 £	2018 £	2019 £	2018 £
Fixed asset timing differences	95,728	42,433	-	-
Short term timing differences	(5,747)	(5,417)	-	-
	<u>89,981</u>	<u>37,016</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

17. ALLOTTED AND ISSUED SHARE CAPITAL

	2019 £	2018 £
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>

18. OPERATING LEASE COMMITMENTS

At 31 December 2019 the company had total future minimum lease payments under non-cancellable operating leases as detailed below:

	Land and buildings		Other	
	2019 £	2018 £	2019 £	2018 £
Within one year	25,968	32,804	72,551	113,932
Between two and five years	-	25,956	26,700	67,926
After five years	-	-	-	-
	<u>25,968</u>	<u>58,760</u>	<u>99,251</u>	<u>181,858</u>

19. CAPITAL COMMITMENTS

	2019 £	2018 £
Contracted for but not provided	<u>16,259</u>	<u>7,198</u>

20. CONTINGENT LIABILITIES

The company was a party at 31 December 2019 and 31 December 2018 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.

SENSIENT COLORS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

21. 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 £2,225,063 (2018: £2,184,204). The fair value of the derivatives held at the balance sheet date, determined by reference to their market values, are as follow:

	2019	2018
	£	£
Forward foreign currency contracts liabilities (assets)	11,856	7,269

22. 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.

23. 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.

24. POST BALANCE SHEET EVENTS

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements. Further details of the impact of COVID-19 on the Company and on the directors' assessment of going concern are included in Note 3 of these financial statements.