

**Company Registration No. 00741008**

**SENSIENT COLORS UK LIMITED**

**Annual Report and Financial Statements**

**Year Ended 31 December 2017**

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**REPORT AND FINANCIAL STATEMENTS 2017**

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**SENSIENT COLORS UK LIMITED**  
**Company Registration No 00741008**

**REPORT AND FINANCIAL STATEMENTS 2017**

**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 2017.

### **REVIEW OF THE BUSINESS**

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

	2017 £'000	2016 £'000	Change %
Turnover	13,761	11,797	16.6 %
Profit after tax	2,245	1,802	24.6%
Current assets as % of current liabilities	94%	128%	-34%

Sickness absence	1.2%	1.8%
Average no. of employees	68	72

Sensient Colors UK Limited completed its restructuring program at the end of 2016, allowing the company to focus entirely on the Industrial colours market for Europe, Middle East and Africa. Hair dye production and secondary manufacturing (dispersions, blending and packing) remain in King's Lynn and the production volumes increased during 2017.

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 increased 16.6% in 2017 due to increased demand in the Middle East and North Africa, and increased sales to affiliate companies. The gross profit percentage decreased by 0.9% due to product mix.

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 with new office accommodation which was completed in Sept 2017. Capital expenditure on the production facilities has resulted in improved production work flows and this will continue into 2018.

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.

## **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) decreased in 2017 due to the payment of the large dividend in November 2017.

Headcount in King's Lynn increased by 2 due to increased production volumes. There was a 6 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: 26 September 2018

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

## **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 £3,500,000 (2016: £1,450,000) was paid in November 2017 to Sensient Holdings UK in relation to the ordinary shares.

## **DIRECTORS**

The directors who served during the year were as follows:

J Makal  
N Laroiya  
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**

At 31 December 2017 the company had net current liabilities of £373,786 (2016: net current assets of £1,279,411). This was mainly caused by a £3.5M dividend paid during the year. Based on the post year end trading and transactions the net current asset position has been restored.

After making enquires and reviewing the company's financial position and 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 : 26 September 2018



## **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 2017 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, 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 2017 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**

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 7, 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

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

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 <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

*Ernst & Young LLP*

Farzin Radfar (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Luton

Date: *27 September 2018*

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2017**

	Note	2017 £	2016 £
<b>TURNOVER</b>	4	13,761,013	11,797,210
Cost of sales		<u>(8,827,627)</u>	<u>(7,458,413)</u>
<b>GROSS PROFIT</b>		4,933,386	4,338,797
Distribution costs		(1,136,870)	(1,007,066)
Administrative expenses – restructuring costs	6	-	(45,778)
Administrative expenses - other		<u>(910,749)</u>	<u>(1,001,479)</u>
<b>OPERATING PROFIT</b>	7	2,885,767	2,284,474
Profit on disposal of tangible fixed assets	8	<u>-</u>	<u>4,500</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		2,885,767	2,288,974
Interest receivable and similar income	9	5,660	-
Interest payable and similar expenses	10	<u>(9,755)</u>	<u>(11,999)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,881,672	2,276,975
Tax on profit on ordinary activities	11	<u>(636,719)</u>	<u>(474,548)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		2,244,953	1,802,427
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><u>2,244,953</u></u>	<u><u>1,802,427</u></u>

All activities derive from continuing operations.

**SENSIENT COLORS UK LIMITED**  
**Company Registration No 00741008**

**STATEMENT OF FINANCIAL POSITION**  
**31 December 2017**

	Note	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	13	377,561	528,586
Tangible assets	14	4,409,889	3,860,714
		<hr/>	<hr/>
		4,787,450	4,389,300
<b>CURRENT ASSETS</b>			
Stocks	15	3,332,526	3,655,008
Debtors	16	2,630,656	2,115,330
Cash at bank and in hand		11,678	11,600
		<hr/>	<hr/>
		5,974,860	5,781,938
<b>CREDITORS: amounts falling due within one year</b>	17	(6,348,646)	(4,502,527)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES/ ASSETS</b>		(373,786)	1,279,411
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,413,664	5,668,711
		<hr/>	<hr/>
<b>NET ASSETS</b>		4,413,664	5,668,711
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	87,051	87,051
Profit and loss account		4,326,613	5,581,660
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		4,413,664	5,668,711
		<hr/>	<hr/>

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

**26 SEP 2018**

N   
Director

**STATEMENT OF CHANGES IN EQUITY**  
**31 December 2017**

	<b>Share Capital £</b>	<b>Retained Earnings £</b>	<b>Total £</b>
Balance at 1 January 2016	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	87,051	5,581,660	5,668,711
Profit for the year	-	2,244,953	2,244,953
Dividend paid (Note 12)	-	(3,500,000)	(3,500,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	<u>87,051</u>	<u>4,326,613</u>	<u>4,413,664</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**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 11.39 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.

**Going Concern**

At 31 December 2017 the company had net current liabilities of £373,786 (2016: net current assets of £1,279,411). This was mainly caused by a £3.5M dividend paid during the year. Based on the post year end trading and transactions the net current asset position has been restored.

After making enquires and reviewing the company's financial position and 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.

**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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**3. ACCOUNTING POLICIES (continued)**

**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 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**3. ACCOUNTING POLICIES (continued)**

**Impairment of non-financial assets(continued)**

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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**3. ACCOUNTING POLICIES (continued)**

**Deferred taxation (continued)**

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.

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**3. ACCOUNTING POLICIES (continued)**

**Revenue Recognition (continued)**

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.

**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:

	2017 £	2016 £
United Kingdom	1,949,853	1,815,527
Rest of the world	11,551,587	9,675,226
	<hr/> 13,501,440	<hr/> 11,490,753

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

Geographical analysis of turnover by destination:

	2017 £	2016 £
United Kingdom	29,216	6,505
Rest of the world	230,357	299,952
	<hr/> 259,573	<hr/> 306,457
 Total turnover	 <hr/> <hr/> 13,767,013	 <hr/> <hr/> 11,797,210

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2017 £	2016 £
<b>Directors' emoluments</b>		
Directors' remuneration	158,140	123,801
Pension contributions to money purchase schemes	10,075	9,488
	<u>168,215</u>	<u>133,289</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 £247,037 (2016: £285,142) in respect of administration costs has been made by Sensient Technologies Corporation, the company's ultimate parent company, which includes directors' remuneration for 2 (2016: 2) of the company's directors which it is not possible to identify separately.

	No.	No.
<b>Average monthly number of persons employed</b>		
Production	31	28
Sales and distribution	15	16
Administration	7	7
Letchworth Office - R&D and Admin	15	21
	<u>68</u>	<u>72</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,528,869	2,708,268
Social security costs	278,333	296,464
Pension costs	256,933	280,523
Termination Costs	-	70,997
	<u>3,064,135</u>	<u>3,356,252</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**6. RESTRUCTURING COSTS**

	2017 £	2016 £
Severance costs	-	8,664
Plant and machinery write downs	-	-
Other	-	37,114
	<u>-</u>	<u>45,778</u>

During 2016, the bulk colour manufacturing plant was decommissioned and the production of the dyes and lakes transferred to other sites within the Sensient group. This was part of a worldwide restructuring plan.

**7. OPERATING PROFIT**

	2017 £	2016 £
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation of owned assets	523,258	425,409
Amortisation of goodwill	151,025	151,025
Total depreciation and amortisation charge	<u>674,283</u>	<u>576,434</u>
One off costs relating to restructuring (note 6)	-	45,778
Auditor's remuneration		
Audit of financial statements	48,300	46,900
iXBRL tagging	1,500	1,500
Foreign exchange differences	(7,303)	(16,694)
Rentals under operating leases		
Hire of plant and machinery	4,173	2,988
Other operating leases	<u>369,490</u>	<u>403,185</u>

**8. PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS**

	2017 £	2016 £
Profit on disposal of tangible fixed assets	-	4,500

This profit represents the gain on ownership exchange from the nonmonetary property swap with the local council in 2016.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**9. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest on amounts due from Group undertakings	5,060	-
Interest on overpaid Corporation Tax	600	-
	<u>5,660</u>	<u>-</u>

**10. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest on amounts due to Group undertakings	9,755	11,999
	<u>9,755</u>	<u>11,999</u>

**11. TAXATION**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the year	564,297	450,121
Adjustment in respect of previous years	41,545	(13,213)
Total current tax	<u>605,842</u>	<u>436,908</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	31,141	37,538
Adjustment in respect of prior years	3,271	3,180
Effect of changes in tax rates	(3,535)	(3,078)
Total deferred tax (note 18)	<u>30,877</u>	<u>37,640</u>
Total tax per income statement	<u>636,719</u>	<u>474,548</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**11. TAXATION (continued)**

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

	2017 £	2016 £
Profit for the year	2,881,672	2,276,975
Tax on profit at UK standard rate of 19.25% (2016:20.00%)	554,623	455,395
Effects of:		
Expenses not deductible	62,792	32,623
Income not taxable	(21,977)	(359)
Effects of group relief/ other reliefs	-	-
Losses	-	-
Adjustments from previous periods	44,816	(10,033)
Tax rate changes	(3,535)	(3,078)
Total	636,719	474,548

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.

**12. DIVIDENDS ON EQUITY SHARES**

A dividend of £3,500,000 (2016: £1,450,000) was paid in November 2017 to Sensient Holdings UK in relation to the ordinary shares.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**13. INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2017	755,123
Additions in year	-
	<hr/>
At 31 December 2017	755,123
	<hr/>
<b>Amortisation</b>	
At 1 January 2017	226,537
Charge for the year	151,025
	<hr/>
At 31 December 2017	377,562
	<hr/>
<b>Net book value</b>	
At 31 December 2017	377,561
	<hr/>
At 31 December 2016	528,586
	<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**

	<b>Freehold land and buildings £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2017	4,096,430	9,433,337	13,529,767
Reclassification transfer	125,917	(125,917)	-
Additions in year	929,340	418,319	1,347,659
Disposals in year	-	(695,682)	(695,682)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	5,151,687	9,030,057	14,181,744
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2017	2,104,565	7,564,488	9,669,053
Charge for the year	161,086	362,172	523,258
Disposals	-	(420,456)	(420,456)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	2,265,651	7,506,204	9,771,855
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2017	2,886,036	1,523,853	4,409,889
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,991,865	1,868,849	3,860,714
	<hr/>	<hr/>	<hr/>

Included in freehold land and buildings is land with a cost of £341,267 (2016: £341,267).

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**15. STOCKS**

	2017 £	2016 £
Raw materials and consumables	739,728	566,030
Work in progress	532,973	589,870
Finished goods and goods for resale	2,059,825	2,499,108
	<u>3,332,526</u>	<u>3,655,008</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 £8,374,914 (2016: £7,166,832)

An impairment loss of £161,966 (2016: £80,285) 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**

	2017 £	2016 £
Trade debtors	1,299,850	981,887
Amounts owed by fellow group undertakings	1,094,047	812,180
Other debtors	122,642	176,633
Prepayments and accrued income	103,833	133,137
Financial assets	10,284	-
Deferred tax (note 18)	-	11,493
	<u>2,630,656</u>	<u>2,115,330</u>

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £	2016 £
Trade creditors	1,374,743	1,082,175
Amounts owed to fellow group undertakings	2,445,523	1,546,569
Group relief payable to fellow group companies	1,853,450	1,426,510
Financial liabilities	-	8,893
Other taxes and social security	73,336	83,520
Accruals and deferred income	582,210	354,860
Deferred Tax (note 18)	19,384	-
	<u>6,348,646</u>	<u>4,502,527</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

**Deferred taxation**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Provision at start of year	(11,493)	(49,133)
Deferred tax charge to income statement for the year (note 11)	27,606	34,460
Adjustment in respect of prior years	3,271	3,180
(Asset)/provision at end of year	<u>19,384</u>	<u>(11,493)</u>

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

	<b>Provided</b>		<b>Not provided</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Fixed asset timing differences	23,927	(8,128)	-	-
Short term timing differences	(4,543)	(3,365)	-	-
	<u>19,384</u>	<u>(11,493)</u>	<u>-</u>	<u>-</u>

**19. ALLOTTED AND ISSUED SHARE CAPITAL**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Called up, allotted and fully paid</b>		
87,051 ordinary shares of £1 each	<u>87,051</u>	<u>87,051</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**20. OPERATING LEASE COMMITMENTS**

At 31 December 2017 the company had total future minimum lease payments under non-cancellable operating leases as detailed below:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	35,000	268,750	77,461	78,411
Between two and five years	63,152	243,750	71,294	64,684
After five years	-	-	-	-
	<u>98,152</u>	<u>512,500</u>	<u>148,755</u>	<u>143,095</u>

**21. CAPITAL COMMITMENTS**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Contracted for but not provided	<u>7,072</u>	<u>29,822</u>

**22. CONTINGENT LIABILITIES**

The company was a party at 31 December 2017 and 31 December 2016 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 £2,880,644 (2016: £176,400). The fair value of the derivatives held at the balance sheet date, determined by reference to their market values, are as follow:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Forward foreign currency contracts	<u>(10,284)</u>	<u>8,893</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**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.