

Company Registration No. 00741008

SENSIENT COLORS UK LIMITED

Annual Report and Financial Statements

Year Ended 31 December 2021



REPORT AND FINANCIAL STATEMENTS 2021

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SENSIENT COLORS UK LIMITED
Company Registration No 00741008

REPORT AND FINANCIAL STATEMENTS 2021

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N Laroia
D Plautz
A Agallar

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 2021.

REVIEW OF THE BUSINESS

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

	2021	2020	Change
	£'000	£'000	%
Turnover	14,687	11,428	+28.5%
Profit/(Loss) after tax	647	(8)	N/A
Current assets as % of current liabilities	249%	405%	-146%

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 increased by 28.5% in 2021, as demand for cosmetic products, which had declined in 2020 due to the COVID-19 pandemic, recovered strongly, resulting in increased sales to affiliate companies in Europe and Asia. Profit after tax increased due to the higher revenue, however unfavorable product mix has driven a reduction in gross profit percentage since 2020.

The company's "quick ratio" (current assets as a percentage of current liabilities) decreased in 2021 to 249% (2020: 405%). Both trade debtors and trade creditors increased significantly, and inventory decreased, due to timing of third party and affiliate supplies as demand recovered.

STRATEGIC REPORT

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. Other Group companies also buy forward foreign currency contracts on the company's behalf 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: 13 December 2022



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

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.

DIVIDENDS

No dividend was declared in 2021 (2020: £Nil).

DIRECTORS

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

N Laroiya
D Plautz
A Agallar

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

The COVID-19 pandemic has had significant impact on the Company in prior years. However, the demand for personal care and cosmetic products returned to pre-pandemic levels in 2021 as consumer demand for these products recovered, and this trend has continued through 2022, and is forecast to continue into 2023.

The outlook for the business remains strong as we continue to find opportunities in our markets through the direct sales force, the number of projects are increasing and our penetration into existing key accounts and new customers is improving but we need to follow this with resultant increases in trade revenue. The UK site manufacturing plan is strong with improving demand from trade and affiliate customers. We are working closely with our trade customers and affiliate partners to review market opportunities.

DIRECTORS' REPORT

GOING CONCERN (continued)

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 12 months from the date of approving the 2021 financial statements.

Having reviewed the forecast and the parental support, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue as a going concern for a period of 12 months from the date of approving the 2021 financial statements. Accordingly, the directors have prepared the financial statements on a going concern basis.

BREXIT

During the year, the level of uncertainty around Brexit extended to its impact on our operations and financial performance and the degree to which both will be affected in the long term. During 2021, the company has taken steps to mitigate the impact of Brexit on its customers by modifying supply chains through other Sensient entities in the EU. The financial impact of this exercise is still being assessed, but is not likely to be material to the company's results.

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 Laroiya

Director

Date: 13 December 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 Financial Reporting Standard FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102, 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 not 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22, 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are relating to FRS102, the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR.

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

- We understood how the company is complying with those frameworks by making enquiries of management and those charged with governance and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, making enquiries of management and those charged with governance.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management, and those charged with governance to understand where they considered there was susceptibility to fraud. We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud and gained an understanding as to how those procedures and controls are implemented and monitored.
 - Where available, we read minutes of meetings of those charged with governance.
 - We read financial statements disclosures and tested to supporting documentation to assess compliance with applicable laws and regulations.
 - We audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness. We also audited the risk of improper revenue recognition through performing audit procedures on revenue cut-off.
 - We evaluated the business rationale of significant transactions outside the normal course of business; and
 - We challenged judgements made by management. This included corroborating the inputs and considering contradictory evidence.

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: ...14 December 2022

SENSIENT COLORS UK LIMITED
Company Registration No 00741008

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021

	Note	2021 £	2020 £
TURNOVER	4	14,686,510	11,427,828
Cost of sales		(10,518,285)	(7,856,427)
GROSS PROFIT		4,168,225	3,571,401
Distribution costs		(1,261,741)	(1,175,003)
Administrative expenses		(1,985,619)	(2,053,923)
OPERATING PROFIT	6	920,865	342,475
Interest receivable and similar income	7	4,896	7,417
Interest payable and similar charges	8	(3,513)	(6,702)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		922,248	343,190
Tax on profit on ordinary activities	9	(275,277)	(351,089)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		646,971	(7,899)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		646,971	(7,899)

All activities derive from continuing operations.

SENSIENT COLORS UK LIMITED
Company Registration No 00741008

STATEMENT OF FINANCIAL POSITION
31 December 2021

	Note	2021 £	2020 £
FIXED ASSETS			
Intangible assets	10	395,451	521,725
Tangible assets	11	3,550,618	3,798,613
		<u>3,946,069</u>	<u>4,320,338</u>
CURRENT ASSETS			
Stocks	12	3,391,255	4,038,203
Debtors	13	6,716,684	2,571,650
Cash at bank and in hand		16,257	11,605
		<u>10,124,196</u>	<u>6,621,458</u>
CREDITORS: amounts falling due within one year	14	(4,061,531)	(1,636,290)
NET CURRENT ASSETS		<u>6,062,665</u>	<u>4,985,168</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,008,734	9,305,506
PROVISION FOR LIABILITIES	15	(244,834)	(188,577)
NET ASSETS		<u>9,763,900</u>	<u>9,116,929</u>
CAPITAL AND RESERVES			
Called up share capital	16	87,051	87,051
Profit and loss account		9,676,849	9,029,878
TOTAL EQUITY		<u>9,763,900</u>	<u>9,116,929</u>

These financial statements were approved by the Board of Directors on 13th December 2022.

Signed on behalf of the Board of Directors



N Laroiya
Director

SENSIENT COLORS UK LIMITED
Company Registration No 00741008

STATEMENT OF CHANGES IN EQUITY
31 December 2021

	Share Capital (Note 17)	Retained Earnings	Total
	£	£	£
Balance at 1 January 2020	87,051	9,037,777	9,124,828
Loss for the year	-	(7,899)	(7,899)
Dividend paid	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	87,051	9,029,878	9,116,929
Profit for the year	-	646,971	646,971
Dividend paid	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	<u>87,051</u>	<u>9,676,849</u>	<u>9,763,900</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

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

The COVID-19 pandemic has had significant impact on the Company in prior years. However, the demand for personal care and cosmetic products returned to pre-pandemic levels in 2021 as consumer demand for these products recovered, and this trend has continued through 2022, and is forecast to continue into 2023.

The outlook for the business remains strong as we continue to find opportunities in our markets through the direct sales force, the number of projects are increasing and our penetration into existing key accounts and new customers is improving but we need to follow this with resultant increases in trade revenue. The UK site manufacturing plan is strong with improving demand from trade and affiliate customers. We are working closely with our trade customers and affiliate partners to review market opportunities.

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 12 months from the date of approving the 2021 financial statements.

Having reviewed the forecast and the parental support, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue as a going concern for a period of 12 months from the date of approving the 2021 financial statements. Accordingly, the directors have prepared the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

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:

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.

Significant accounting policies

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 is reversed in a subsequent year if and only if the reasons for the impairment loss have ceased to apply.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

3. ACCOUNTING POLICIES (continued)

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.

Amortisation is provided on all intangible assets 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:

REACH Registration	20% per annum on cost
Software	14.3% per annum on cost

Tangible assets

Tangible 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 tangible 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 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

3. ACCOUNTING POLICIES (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

3. ACCOUNTING POLICIES (continued)

Derivative Instruments

Other group companies use forward foreign currency contracts on the company's behalf 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 2021

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 one principal area of activity, of manufacturing and selling of synthetic & natural colours. In the prior year, the company had a small amount of turnover relating to 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:

	2021 £	2020 £
United Kingdom	1,202,482	1,346,475
Rest of the world	13,484,028	10,048,348
	<u>14,686,510</u>	<u>11,394,823</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:

	2021 £	2020 £
United Kingdom	-	-
Rest of the world	-	33,005
	<u>-</u>	<u>33,005</u>
Total turnover	<u>14,686,510</u>	<u>11,427,828</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2021 £	2020 £
Directors' emoluments		
Directors' remuneration	122,661	109,417
Pension contributions to money purchase schemes	14,639	13,642
	<u>137,300</u>	<u>123,059</u>

	2021 No.	2020 No.
Number of directors who received shares in respect of qualifying services	<u>1</u>	<u>1</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 £187,032 (2020: £246,856) in respect of administration costs has been made by Sensient Technologies Corporation, the company's ultimate parent company, which includes directors' remuneration for 2 (2020: 2) of the company's directors which it is not possible to identify separately.

	2021 No.	2020 No.
Average monthly number of persons employed		
Production	39	40
Sales and distribution	16	16
Administration	8	9
Letchworth Office - R&D and Admin (disposed during prior year)	-	3
	<u>63</u>	<u>68</u>

	2021 £	2020 £
Staff costs during the year (including directors)		
Wages and salaries	2,367,478	2,562,460
Social security costs	331,912	361,794
Pension costs	268,117	283,586
	<u>2,967,507</u>	<u>3,207,840</u>

SENSIENT COLORS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

6. OPERATING PROFIT

	2021	2020
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation of owned assets	465,314	484,617
Loss on disposal of owned assets	-	30,569
Amortisation of goodwill	-	75,512
Amortisation of other intangible assets	144,972	104,918
	<hr/>	<hr/>
Total depreciation and amortisation charge	610,286	695,616
Auditor's remuneration		
Audit of financial statements	53,200	53,445
Foreign exchange differences	(34,623)	77,493
Rentals under operating leases		
Hire of plant and machinery	5,203	3,648
Other operating leases	96,833	123,006
	<hr/>	<hr/>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£	£
Interest on amounts due from Group undertakings	4,896	4,743
Interest on overpaid Corporation Tax	-	2,674
	<hr/>	<hr/>
	4,896	7,417
	<hr/>	<hr/>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Interest on amounts due to Group undertakings	3,513	6,702
	<hr/>	<hr/>

SENSIENT COLORS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

9. TAXATION

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the year	194,514	57,895
Adjustment in respect of previous years	24,506	194,598
	<hr/>	<hr/>
Total current tax	219,020	252,493
Deferred tax		
Origination and reversal of timing differences	21,911	57,492
Adjustment in respect of prior years	(24,414)	27,305
Effect of changes in tax rates	58,760	13,799
	<hr/>	<hr/>
Total deferred tax (Note 15)	56,257	98,596
	<hr/>	<hr/>
Total tax per income statement	275,277	351,089
	<hr/>	<hr/>

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

	2021	2020
	£	£
Profit for the year	922,248	343,190
	<hr/>	<hr/>
Tax on profit at UK standard rate of 19.00% (2020:19.00%)	175,227	65,206
Effects of:		
Expenses not deductible	50,282	50,181
Income not taxable	(9,084)	-
Adjustments from previous periods	92	221,903
Tax rate changes	58,760	13,799
	<hr/>	<hr/>
Total	275,277	351,089
	<hr/>	<hr/>

Factors that may affect future tax charges:

The standard rate of tax applied to reported profit on ordinary activities is 19% (2020: 19%). The March 2021 Budget announced an increase in corporation tax rate to 25% from 1 April 2023 which was substantively enacted in Finance Act 2021 on 24 May 2021. The Company's deferred tax balances are measured using the corporation tax rates that have been enacted or substantively enacted at the statement of financial position date (25%).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

10. INTANGIBLE FIXED ASSETS

	Software	Other	Total
	£	£	£
Cost			
At 1 January 2021	292,920	498,392	791,312
Additions in year	-	22,546	22,546
Reductions in year	-	(3,848)	(3,848)
At 31 December 2021	292,920	517,090	810,010
Amortisation			
At 1 January 2021	6,974	262,613	269,587
Charge for the year	41,846	103,126	144,972
At 31 December 2021	48,820	365,739	414,559
Net book value			
At 31 December 2021	244,100	151,351	395,451
At 31 December 2020	285,946	235,779	521,725

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 2021 we received some refunds on our original authorisation costs, as more companies were added to the authorisation consortia, to enable them to trade the respective resources.

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant and machinery	Total
	£	£	£
Cost			
At 1 January 2021	4,539,688	9,292,493	13,832,181
Additions in year	-	217,319	217,319
Disposals in year	-	(364,131)	(364,131)
At 31 December 2021	4,539,688	9,145,681	13,685,369
Depreciation			
At 1 January 2021	2,264,475	7,769,093	10,033,568
Charge for the year	178,146	287,168	465,314
Disposals	-	(364,131)	(364,131)
At 31 December 2021	2,442,621	7,692,130	10,134,751
Net book value			
At 31 December 2021	2,097,067	1,453,551	3,550,618
At 31 December 2020	2,275,213	1,523,400	3,798,613

Included in freehold land and buildings is land with a cost of £341,267 (2020: £341,267).

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

12. STOCKS

	2021 £	2020 £
Raw materials and consumables	913,316	824,675
Work in progress	819,452	468,128
Finished goods and goods for resale	1,658,487	2,745,400
	<u>3,391,255</u>	<u>4,038,203</u>

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

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade debtors	538,068	969,870
Amounts owed by fellow group undertakings	5,944,375	1,458,514
Financial assets at fair value through profit or loss	13,644	13,272
Other debtors	74,206	17,857
Prepayments and accrued income	146,391	112,137
	<u>6,716,684</u>	<u>2,571,650</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade creditors	1,179,487	337,871
Amounts owed to fellow group undertakings	1,916,578	93,037
Corporation tax	276,916	389,572
Group relief payable to fellow group companies	300,487	300,487
Other taxes and social security	65,875	71,661
Accruals and deferred income	322,188	443,662
	<u>4,061,531</u>	<u>1,636,290</u>

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

	2021 £	2020 £
Provision at start of year	188,577	89,981
Adjustment in respect of prior years (note 9)	(24,414)	27,305
Deferred tax charge to income statement for the year (note 9)	80,671	71,291
Movement arising from the transfer of trade	-	-
Provision at end of year	<u>244,834</u>	<u>188,577</u>

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

	Provided		Not provided	
	2021 £	2020 £	2021 £	2020 £
Fixed asset timing differences	251,638	193,665	-	-
Short term timing differences	(6,804)	(5,088)	-	-
	<u>244,834</u>	<u>188,577</u>	<u>-</u>	<u>-</u>

16. ALLOTTED AND ISSUED SHARE CAPITAL

	2021 £	2020 £
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>

17. OPERATING LEASE COMMITMENTS

At 31 December 2021 the company had total future minimum lease payments under non-cancellable operating leases as detailed below:

	2021 £	2020 £
Within one year	57,670	85,895
Between two and five years	42,758	41,934
After five years	-	-
	<u>100,428</u>	<u>127,829</u>

18. CAPITAL COMMITMENTS

	2021 £	2020 £
Contracted for but not provided	<u>9,448</u>	<u>36,183</u>

SENSIENT COLORS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

19. CONTINGENT LIABILITIES

The company was a party at 31 December 2021 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. During the year, the guarantee in respect of Customs and Excise duty and value added tax was cancelled, as this is no longer required by HMRC for deferment purposes.

20. DERIVATIVES

The company uses 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 £1,894,891 (2020: £1,388,505). The fair value of the derivatives held at the balance sheet date, determined by reference to their market values, are as follow:

	2021	2020
	£	£
Forward foreign currency contracts liabilities (assets)	(13,644)	(13,272)

21. 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.

22. 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.