



**SENSIENT FLAVORS WALES LIMITED  
(FORMERLY KNOWN AS RED STAR  
BIOPRODUCTS LIMITED)**

**Report and Financial Statements**

**31 December 2000**



**Deloitte & Touche  
Blenheim House  
Fitzalan Court  
Newport Road  
Cardiff  
CF24 OTS**

**REPORT AND FINANCIAL STATEMENTS 2000**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D W Foell (resigned 28 August 2001)  
A J Farmer  
C L Lawlor (appointed 28 August 2001)

**SECRETARY**

Gravitas Company Secretarial Services Limited

**REGISTERED OFFICE**

Felinfach  
Lampeter  
Dyfed  
SA48 8AG

**BANKERS**

ABN Amro Bank BV

**SOLICITORS**

Edwards Geldard  
Dumfries House  
Dumfries Place  
Cardiff

**AUDITORS**

Deloitte & Touche  
Blenheim House  
Fitzalan Court  
Newport Road  
Cardiff  
CF24 0TS

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the 15 months ended 31 December 2000.

### **PRINCIPAL ACTIVITIES**

The principal activity of the company during the period continued to be the manufacture and sale of flavouring ingredients for the food industry.

### **REVIEW OF BUSINESS AND FUTURE PROSPECTS**

The company will continue to focus its business on profitable product lines and customers offering growth opportunities.

### **DIVIDENDS**

The directors declared an interim dividend for the period of £nil (1999 - £547,374). No final dividend was declared.

### **DIRECTORS AND THEIR INTERESTS**

The directors of the company, all of whom have been directors throughout the period ended on that date, unless otherwise stated, were:-

A J Farmer  
D W Foell

None of the directors had an interest in the shares of the company or any other UK group companies in either 1999 or 2000.

### **AUDITORS**

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



C L Lawlor

Director

Date... Oct 21, 2001 .....

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. 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 accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

**AUDITORS' REPORT TO THE MEMBERS OF SENSIENT FLAVORS WALES  
LIMITED (FORMERLY KNOWN AS RED STAR BIOPRODUCTS LIMITED)**

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the auditing practices board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors

Date... 29.01.01

**PROFIT AND LOSS ACCOUNT**  
**Period ended 31 December 2000**

	Note	15 months ended 31 December 2000 £	Year ended 30 September 1999 £
<b>TURNOVER</b>	2	17,000,248	12,912,803
Cost of sales		(12,017,293)	(8,038,532)
Gross profit		4,982,955	4,874,271
Operating expenses	3	(2,313,715)	(1,459,811)
Other operating income		298,721	128,342
<b>OPERATING PROFIT</b>		2,967,961	3,542,802
Interest payable	5	(40,422)	(1,727)
Interest receivable and similar income		3,700	6,276
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	2,931,239	3,547,351
Tax charge on profit on ordinary activities	7	(924,265)	(1,051,138)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL PERIOD</b>		2,006,974	2,496,213
Dividends	8	-	(547,374)
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>	17	2,006,974	1,948,839

The company has no recognised gains and losses other than those included in the profit and loss account above.

**BALANCE SHEET**  
**31 December 2000**

		31 December 2000	30 September 1999
	Note	£	£
<b>FIXED ASSETS</b>			
Tangible assets	9	6,366,508	5,784,244
<b>CURRENT ASSETS</b>			
Stocks	10	3,279,863	2,600,535
Debtors	11	3,267,139	1,905,881
Cash at bank and in hand		542,737	429,857
		<u>7,089,739</u>	<u>4,936,273</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(4,049,963)</u>	<u>(3,448,928)</u>
<b>NET CURRENT ASSETS</b>		<u>3,039,776</u>	<u>1,487,345</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		9,406,284	7,271,589
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(690,770)	(574,187)
<b>ACCRUALS AND DEFERRED INCOME</b>	14	<u>(178,178)</u>	<u>(167,040)</u>
		<u>8,537,336</u>	<u>6,530,362</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	609,000	609,000
Share premium account	16	147,000	147,000
Profit and loss account	16	7,781,336	5,774,362
<b>EQUITY SHAREHOLDERS' FUNDS</b>	17	<u>8,537,336</u>	<u>6,530,362</u>

These financial statements were approved by the Board of Directors on 21.10.2001

Signed on behalf of the Board of Directors



C L Lawlor

Director



**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2000**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Tangible fixed assets**

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Plant and machinery	10% - 20%
House contents	20%
Computer equipment	20%

Depreciation is not provided on freehold land.

Assets in the course of construction are capitalised at cost. No depreciation is taken until the assets are brought into service.

**Stocks**

Stocks and work-in-progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

**Taxation**

The charge for taxation is based on the profits for the year as adjusted for disallowable items. Deferred taxation is provided at the anticipated tax rates on timing differences, arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

**Hire purchase agreements and operating leases**

Costs in respect of operating leases are charged in arriving at operating profit on a straight line basis over the lease term. Where fixed assets are financed by entering into hire purchase agreements, the assets are treated as if they have been purchased and included in tangible fixed assets and the capital element of the agreement is shown as an obligation under hire purchase agreements.

**Related parties**

The company has taken advantage of the exemption available in FRS 8 relating to the disclosure of transactions with group companies.

**Cash flow statements**

The company is exempt from preparing a cash flow statement as a group cash flow statement is prepared by its parent company, Universal Foods (UK) Limited.

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2000**

**1. ACCOUNTING POLICIES (continued)**

**Pension scheme arrangements**

For senior executives the company used to operate a defined benefit pension scheme which was non-contributory, externally funded and contracted out of the state scheme. This scheme was wound up on 11 November 1998 and the assets transferred to the group defined contribution scheme. The company operates a defined contribution scheme and the payments made to the scheme are charged to the profit and loss account as they are incurred. The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund.

**Turnover**

Turnover excludes value added tax and trade discounts and represents the invoiced value of goods and services supplied through the principal activity of the company which is the manufacture and sale of flavouring ingredients for the food industry.

**Regional Selective Assistance**

Regional Selective Assistance is credited to a deferred income account; the capital element is released to the profit and loss account in equal instalments over the period of the lower of the expected useful lives of the assets concerned or ten years. The labour element is released to the profit and loss account after the criteria has been met.

**Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. All differences are dealt with through the profit and loss account.

**Capitalisation of interest**

Interest on loans acquired to purchase fixed assets is capitalised into the cost of the asset up to the date when the asset is completed. Upon completion of the asset, interest on the loan is written off to the profit and loss account. Capitalised interest is amortised over the useful economic life of the assets for which the loan was received.

**2. TURNOVER**

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

The turnover and pre tax profits are attributable to each of the company's geographical markets as follows:

	<b>15 months ended 31 December 2000 £</b>	<b>Year ended 30 September 1999 £</b>
United Kingdom	12,169,516	9,250,057
Rest of the world	4,830,732	3,662,746
	<u>17,000,248</u>	<u>12,912,803</u>

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2000**

**3. OPERATING EXPENSES**

	<b>15 months ended 31 December 2000 £</b>	<b>Year ended 30 September 1999 £</b>
Selling costs	571,987	456,700
Administrative expenses	1,741,728	1,003,111
	<u>2,313,715</u>	<u>1,459,811</u>

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>15 months ended 31 December 2000 £</b>	<b>Year ended 30 September 1999 £</b>
<b>Directors' emoluments</b>		
Emoluments	120,729	107,342
Pension contributions	12,116	9,581
	<u>132,845</u>	<u>116,923</u>
	<b>No.</b>	<b>No.</b>
Number of directors who are members of the company's defined contribution pension scheme	<u>1</u>	<u>1</u>
<b>Average number of persons employed (excluding executive directors)</b>	<b>No.</b>	<b>No.</b>
Production	79	65
Administration	35	35
	<u>114</u>	<u>100</u>
	<b>£</b>	<b>£</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,700,229	1,963,102
Social security costs	240,226	186,241
	<u>2,940,455</u>	<u>2,149,343</u>

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2000**

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>15 months ended 31 December 2000 £</b>	<b>Year ended 30 September 1999 £</b>
Bank interest payable	<u>40,422</u>	<u>1,727</u>

**6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>15 months ended 31 December 2000 £</b>	<b>Year ended 30 September 1999 £</b>
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Rent receivable	(256,897)	(128,342)
Amortisation of government grants	(70,175)	(231,199)
Depreciation charged for the year:		
Tangible owned fixed assets	840,192	635,522
Auditors' remuneration - audit fees	15,000	13,000
- other	5,000	4,850
Hire of plant and machinery held under operating leases	119,521	101,403
Foreign exchange (gains)/losses	<u>(64,037)</u>	<u>(36,089)</u>

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2000**

**7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	15 months ended 31 December 2000 £	Year ended 30 September 1999 £
United Kingdom corporation tax at 30% (1999: 31%)		
Current	826,948	1,008,530
Deferred	116,583	(153,397)
Adjustment in respect of prior years	(19,266)	196,005
	<u>924,265</u>	<u>1,051,138</u>

**8. DIVIDENDS**

	15 months ended 31 December 2000 £	Year ended 30 September 1999 £
Equity dividends		
Interim paid - £nil per ordinary share (1999: £0.90)	-	547,374

**9. TANGIBLE FIXED ASSETS**

	Assets in course of construction £	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Total £
<b>Cost</b>					
At 1 October 1999	721,386	1,893,362	6,507,226	258,784	9,380,758
Additions	1,023,656	19,234	356,854	22,712	1,422,456
Transfer	(1,013,017)	631,920	381,097	-	-
At 31 December 2000	<u>732,025</u>	<u>2,544,516</u>	<u>7,245,177</u>	<u>281,496</u>	<u>10,803,214</u>
<b>Accumulated depreciation</b>					
At 1 October 1999	-	156,135	3,271,868	168,511	3,596,514
Charge for the year	-	57,959	740,252	41,981	840,192
At 31 December 2000	<u>-</u>	<u>214,094</u>	<u>4,012,120</u>	<u>210,492</u>	<u>4,436,706</u>
<b>Net book value</b>					
At 31 December 2000	<u>732,025</u>	<u>2,330,422</u>	<u>3,233,057</u>	<u>71,004</u>	<u>6,366,508</u>
At 30 September 1999	<u>721,386</u>	<u>1,737,227</u>	<u>3,235,358</u>	<u>90,273</u>	<u>5,784,244</u>

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2000**

**9. TANGIBLE FIXED ASSETS (continued)**

Included in the cost of £10,803,214 (1999: £9,380,758) is capitalised interest of £183,664 (1999: £183,664) on loans from group companies for the acquisition of assets. Interest was charged at a rate of 1% above the Canadian prime rate at the time.

The company owns a freehold house at an original cost of £118,585 (this is the only non depreciated asset). During 1992/93 the property was valued by a chartered surveyor and subsequently a provision of £18,585 has been made in respect of the diminution in value of the property. The directors are of the opinion that the estimated residual value of this property is not significantly different from the revised net book value, and no further depreciation has been charged on the building's element of cost.

**10. STOCKS**

	31 December 2000 £	30 September 1999 £
Raw materials and consumables	1,542,822	1,099,648
Work-in-progress	6,618	-
Finished goods and goods for resale	1,730,423	1,500,887
	<u>3,279,863</u>	<u>2,600,535</u>

**11. DEBTORS**

	31 December 2000 £	30 September 1999 £
Trade debtors	2,194,902	1,575,850
Amounts owed by group undertakings	127,382	84,115
Prepayments and accrued income	437,478	245,916
Corporation tax	507,377	-
	<u>3,267,139</u>	<u>1,905,881</u>

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

	31 December 2000 £	30 September 1999 £
Trade creditors	1,440,690	1,812,233
Amounts owed to group undertakings	2,046,194	253,409
Corporation tax	-	690,784
Other taxation and social security payable	252,086	103,017
Accruals and deferred income	310,993	589,485
	<u>4,049,963</u>	<u>3,448,928</u>

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2000**

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

**Deferred taxation**

Deferred taxation is as follows:

	<b>Amounts provided</b>	
	<b>31</b>	<b>30</b>
	<b>December</b>	<b>September</b>
	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Excess of tax allowances over depreciation	690,770	574,187
<b>Deferred taxation movement for the year:</b>		
Balance at 1 October 1999		574,187
Current year charge		116,583
Balance at 31 December 2000		690,770

**14. ACCRUALS AND DEFERRED INCOME**

**Government grants**

	<b>31</b>
	<b>December</b>
	<b>2000</b>
	<b>£</b>
At 1 October 1999	167,040
Amortisation in year	(70,175)
Received in year	81,313
At 31 December 2000	178,178

**15. CALLED UP SHARE CAPITAL**

	<b>31</b>	<b>30</b>
	<b>December</b>	<b>September</b>
	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Authorised		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
609,000 ordinary shares of £1 each	609,000	609,000

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2000**

**16. MOVEMENT ON RESERVES**

	Profit and loss account £	Share premium account £
At 1 October 1999	5,774,362	147,000
Retained profit for the year	2,006,974	-
	<u>7,781,336</u>	<u>147,000</u>
At 30 December 2000	<u>7,781,336</u>	<u>147,000</u>

**17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31 December 2000 £	30 September 1999 £
Profit for the financial period	2,006,974	2,496,213
Equity dividends	-	(547,374)
	<u>2,006,974</u>	<u>1,948,839</u>
Retained profit for the financial year	6,530,362	4,581,523
Opening shareholders' funds	<u>6,530,362</u>	<u>4,581,523</u>
Closing shareholders' funds	<u>8,537,336</u>	<u>6,530,362</u>

**18. CAPITAL COMMITMENTS**

	31 December 2000 £	30 September 1999 £
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>625,000</u>	<u>1,278,000</u>



**NOTES TO THE ACCOUNTS**

**Period ended 31 December 2000**

**19. PARENT COMPANY**

The ultimate parent company and controlling party is Sensient Technologies Corporation, a company incorporated in the United States of America. The company's financial statements are filed at the Securities and Exchange Commission in Washington DC.

The immediate parent company is Universal Foods (UK) Limited, a company incorporated in Great Britain, and its group financial statements are filed at Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.