

Company Registration No. 1514781

SENSIENT FLAVORS LIMITED

Report and Financial Statements

31 December 2005

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SENSIENT FLAVORS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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SENSIENT FLAVORS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A.J. Farmer
J. T. Makal (appointed 8 April 2005)

SECRETARY

Gravitas Company Secretarial Services Limited
110 Cannon Street
London
EC4N 6AR

REGISTERED OFFICE

Bilton Road
Bletchley
Milton Keynes
Buckinghamshire
MK1 1HP

BANKERS

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London
EC2N 2DB

SOLICITORS

Kirkpatrick & Lockhart Preston Gates Ellis LLP
110 Cannon Street
London
EC4N 6AR

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St. Albans

SENSIENT FLAVORS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for Sensient Flavors Limited, for the year ended 31 December 2005.

ACTIVITIES

The principal activity of the company during the year 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. The profit for the year after taxation is £332,780 (2004: £914,734).

DIVIDENDS

The directors do not recommend payment of a dividend (2004: £nil).

DIRECTORS AND THEIR INTERESTS

The current membership of the board is set out on page 1. The directors who served throughout the year were:

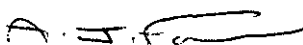
A.J. Farmer

C.L. Lawlor (*resigned 8 April 2005*)

J. T. Makal (*appointed 8 April 2005*)

None of the directors as at 31 December 2005 and 31 December 2004, had a beneficial interest in the shares of the company or any other United Kingdom group companies.

Approved by the Board of Directors,
And signed on behalf of the Board.



A. J. Farmer
Director

W January 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such financial statements for each financial year which 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 and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SENSIENT FLAVORS LIMITED

We have audited the financial statements of Sensient Flavors Limited for the year ended 31 December 2005 which comprise the profit and loss account, balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans
23 January 2007

SENSIENT FLAVORS LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
TURNOVER: continuing operations	2	26,243,784	27,316,245
Cost of sales		(20,782,568)	(20,675,359)
Gross profit		5,461,216	6,640,886
Operating expenses	3	(4,454,829)	(4,540,462)
Other operating income		173,971	140,273
OPERATING PROFIT: continuing operations		1,180,358	2,240,697
Interest payable and similar charges	5	(1,484,717)	(1,123,079)
Interest receivable and similar income		755,663	377,692
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	451,304	1,495,310
Tax on profit on ordinary activities	7	(118,524)	(580,576)
PROFIT FOR THE FINANCIAL YEAR	18	<u>332,780</u>	<u>914,734</u>

A statement of total recognised gains and losses is not included in these accounts as there are no recorded gains or losses for the current or preceding financial years other than as stated in the profit and loss account.

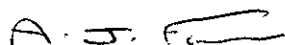
SENSIENT FLAVORS LIMITED

BALANCE SHEET
As at 31 December 2005

	<i>Note</i>	2005 £	2004 £
FIXED ASSETS			
Investments	8	13,650,000	13,650,000
Tangible assets	9	8,653,765	9,082,108
Intangible assets	10	175,792	219,424
		<u>22,479,557</u>	<u>22,951,532</u>
CURRENT ASSETS			
Stocks	11	6,579,613	6,642,350
Debtors	12	25,665,689	20,028,374
Cash at bank and in hand		278,293	584,119
		<u>32,523,595</u>	<u>27,254,843</u>
CREDITORS: amounts falling due within one year	13	<u>(35,151,291)</u>	<u>(30,302,326)</u>
NET CURRENT LIABILITIES		<u>(2,627,696)</u>	<u>(3,047,483)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,851,861</u>	<u>19,904,049</u>
CREDITORS: amounts falling due after more than one year	14	<u>(13,690,906)</u>	<u>(13,727,295)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(293,959)</u>	<u>(642,538)</u>
NET ASSETS		<u>5,866,996</u>	<u>5,534,216</u>
CAPITAL AND RESERVES			
Called up share capital	17	609,000	609,000
Share premium account	18	147,000	147,000
Profit and loss account	18	5,110,996	4,778,216
SHAREHOLDERS' FUNDS		<u>5,866,996</u>	<u>5,534,216</u>

The Board of Directors approved these financial statements on 22 January 2007.

Signed on behalf of the Board of Directors



A. J. Farmer
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom 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 expense 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	2½ %
Plant and machinery	5 - 10 %
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 cost of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Operating leases

Costs in respect of operating leases are charged in arriving at operating profit on a straight-line basis over the lease term.

Related parties

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

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, Sensient Technologies Corporation.

Pension scheme arrangements

The company operates a defined contribution pension 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.

Government grants

Government grants are 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. The labour element is released to the profit and loss account to match the cost of job creation.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the 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.

Consolidated financial statements

As a wholly owned subsidiary of Sensient Technologies Corporation, which prepares consolidated financial statements, under Section 228 of the Companies Act 1985, the company is not required to produce its own consolidated financial statements. These accounts are for the company only.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's principal activities excluding Value Added Tax and trade discounts.

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

	2005	2004
	£	£
Geographical analysis of turnover by destination		
United Kingdom	14,730,790	14,881,932
Other European countries	6,174,912	5,749,623
Rest of the world	5,338,082	6,684,690
	<u>26,243,784</u>	<u>27,316,245</u>

3. OPERATING EXPENSES

	2005	2004
	£	£
Selling costs	952,677	1,200,577
Administrative expenses	3,502,152	3,339,885
	<u>4,454,829</u>	<u>4,540,462</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005	2004
	£	£
Directors' emoluments		
Emoluments	159,486	155,805
Pension contributions	12,669	12,300
	<u>172,155</u>	<u>168,105</u>
	No.	No.
Number of directors who are members of the company's defined contribution pension scheme	<u>1</u>	<u>1</u>
	No.	No.
Average number of persons employed (excluding executive directors)		
Production	113	113
Administration	62	64
	<u>175</u>	<u>177</u>
	£	£
Staff costs during the period (including directors)		
Wages and salaries	4,566,026	4,644,856
Social security costs	441,818	452,709
Pension contributions	328,094	306,709
	<u>5,335,938</u>	<u>5,404,274</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Bank interest payable	41	98
Intercompany interest	1,484,676	1,122,981
	<u>1,484,717</u>	<u>1,123,079</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
	£	£
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Amortisation of government grants	(36,389)	(36,389)
Amortisation of intangible fixed assets (note 10)	43,632	43,632
Depreciation of tangible fixed assets (note 9)	1,099,907	1,054,576
Auditors' remuneration		
- Audit	31,500	28,500
- Other	16,000	25,500
Operating lease hire – plant and machinery	224,579	143,542
– other	68,000	68,000
Foreign exchange costs	<u>(1,828)</u>	<u>82,077</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

i) Analysis of the tax charge on ordinary activities

	2005	2004
	£	£
United Kingdom corporation tax at 30% (2004 30%)	305,365	490,902
Adjustment in respect of prior years	(47,508)	(27,000)
Group relief in respect to prior years	<u>209,246</u>	<u>136,875</u>
	467,103	600,777
Deferred taxation	(137,271)	(15,246)
Adjustment in respect of prior years	<u>(211,308)</u>	<u>(4,955)</u>
	<u>118,524</u>	<u>580,576</u>

ii) Factors affecting the tax charge for the current period

	2005	2004
	£	£
United Kingdom corporation tax at 30% (2004 30%)	<u>451,304</u>	<u>1,495,310</u>
Tax at 30% thereon	135,391	448,593
Expenses not deductible for tax purposes	16,655	27,063
Capital allowances in excess of depreciation	264,921	(71,300)
Movement on short term timing difference	(111,603)	86,546
Adjustment in respect of prior years	<u>161,738</u>	<u>109,875</u>
	<u>467,103</u>	<u>600,777</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

8. INVESTMENTS HELD AS FIXED ASSETS

	Total
Cost and net book value	£
At 1 January 2005 and 31 December 2005	13,650,000

The above investment relates to Sensient Flavours Wales Limited, a dormant company incorporated in England and Wales. Sensient Flavors Limited holds 100% of its share capital.

9. TANGIBLE FIXED ASSETS

	Assets in course of construction £	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Total £
Cost					
At 1 January 2005	5,126	4,299,073	12,752,841	1,234,513	18,291,553
Additions	359,914	-	303,456	8,195	671,565
Transfer	(199,881)	-	180,460	19,421	-
Disposal	-	-	-	(26,422)	(26,422)
At 31 December 2005	<u>165,159</u>	<u>4,299,073</u>	<u>13,236,757</u>	<u>1,235,707</u>	<u>18,936,696</u>
Accumulated depreciation					
At 1 January 2005	-	459,950	8,025,008	724,487	9,209,445
Charge for the year	-	63,130	877,551	159,226	1,099,907
Disposals	-	-	-	(26,422)	(26,422)
At 31 December 2005	<u>-</u>	<u>523,080</u>	<u>8,902,560</u>	<u>857,291</u>	<u>10,282,931</u>
Net book value					
At 31 December 2005	<u>165,159</u>	<u>3,775,993</u>	<u>4,334,197</u>	<u>378,416</u>	<u>8,653,765</u>
At 31 December 2004	<u>5,126</u>	<u>3,839,123</u>	<u>4,727,833</u>	<u>510,026</u>	<u>9,082,108</u>

Included in the cost of £18,936,696 (2004 - £18,291,553) is capitalised interest of £183,644 (2004 - £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.

Included within land and buildings is land of £1,109,087 (2004 - £1,109,087) which is not depreciated.

SENSIENT FLAVORS LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

10. INTANGIBLE FIXED ASSETS

	Customer list and know how
	£
Acquisition value	
At 1 January 2005 and 31 December 2005	<u>350,320</u>
Accumulated amortisation	
At 1 January 2005	130,896
Charge for the year	43,632
At 31 December 2005	<u>174,528</u>
Net book value	
At 31 December 2005	<u>175,792</u>
At 31 December 2004	<u>219,424</u>

11. STOCKS

	2005	2004
	£	£
Raw materials and consumables	2,541,975	2,628,902
Finished goods and goods for resale	<u>4,037,638</u>	<u>4,013,448</u>
	<u>6,579,613</u>	<u>6,642,350</u>

12. DEBTORS

	2005	2004
	£	£
Trade debtors	4,198,850	4,120,886
Amounts owed to group undertakings	21,201,782	14,482,808
Prepayments and accrued income	265,057	297,859
Corporation tax	-	1,126,821
	<u>25,665,689</u>	<u>20,028,374</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank overdraft	4,510	-
Trade creditors	2,182,899	2,075,430
Amounts owed to group undertakings	31,647,246	26,949,146
Other taxation and social security payable	236,511	199,634
Accruals and deferred income	1,043,736	1,041,727
Government grants (see note 16)	36,389	36,389
	<u>35,151,291</u>	<u>30,302,326</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004
	£	£
Unsecured loan note	13,650,000	13,650,000
Government grants (see note 16)	40,906	77,295
	<u>13,690,906</u>	<u>13,727,295</u>

Interest on the unsecured loan due to Sensient Technologies Limited was £792,226 for the period to 31 December 2005. Interest for the period ended 31 December 2004 was £750,972.

The loan note matures on 31 December 2016.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred taxation is as follows:

	Amounts provided	
	2005	2004
	£	£
Excess of tax allowances over depreciation	283,482	742,632
Short term timing differences	10,477	(100,094)
	<u>293,959</u>	<u>642,538</u>
Deferred taxation movement for the year		
Balance at 1 January 2005		642,538
Current year credit		(348,579)
Balance at 31 December 2005		<u>293,959</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

16. GOVERNMENT GRANTS

	2005	2004
	£	£
Government grants	<u>77,295</u>	<u>77,295</u>
of which:		
	£	£
Amounts falling due within one year (note 13)	36,389	36,389
Amounts falling due after more than one year (note 14)	<u>40,906</u>	<u>77,295</u>
	<u>77,295</u>	<u>113,684</u>

17. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
609,000 ordinary shares of £1 each	<u>609,000</u>	<u>609,000</u>

18. COMBINED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

	Share capital	Share premium	Profit and loss reserve	Total 2005	Total 2004
	£	£	£	£	£
At 1 January 2005	609,000	147,000	4,778,216	5,534,216	4,619,482
Retained profit for the year	-	-	332,780	332,780	914,734
At 31 December 2005	<u>609,000</u>	<u>147,000</u>	<u>5,110,996</u>	<u>5,866,996</u>	<u>5,534,216</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

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 D.C. The largest and smallest group of undertakings for which group financial statements have been drawn up is held by Sensient Technologies Corporation.

The immediate parent company is Sensient Holdings UK (formally Sensient Technologies (UK) Limited), a company incorporated in Great Britain, and its financial statements are filed at Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005, the company was committed to making the following payments during the next year in respect of operating leases:

	Building 2005	Building 2004
Leases which expire:	£	£
After more than 5 years	68,000	68,000
	68,000	68,000
	Other 2005	Other 2004
Leases which expire:	£	£
Within one year	18,096	95,858
Within 2 to 5 years	172,299	37,262
After more than 5 years	1,739	10,422
	192,134	143,542