

**Company Registration No. 1514781**

**SENSIENT FLAVORS LIMITED**

**Report and Financial Statements**

**31 December 2006**

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**SENSIENT FLAVORS LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2006**

<b>CONTENTS</b>	<b>Page.</b>
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9

**SENSIENT FLAVORS LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2006**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

A J. Farmer  
J T Makal

**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**

Ernst & Young LLP  
One Bridewell Street  
Bristol  
BS1 2AA

## **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 2006

#### **ACTIVITIES**

The principal activity of the company during the year continued to be the manufacture and sale of flavouring ingredients for the food industry in the United Kingdom, Europe and other overseas markets

The company's key performance indicators during the year were as follows

	2006 £'000	2005 £'000	Change %
Turnover	25,532	26,244	-3%
Operating Profit	2,384	1,180	102%
Profit after tax	999	333	200%
Current assets as % of current liabilities	97%	93%	4%
Average no of employees	167	175	4%

Turnover has fallen slightly during the year due to the elimination of unprofitable sales lines. Turnover is expected to remain at this level during 2007

Operating profit has increased by over 100%, this was due to an overall decrease in administration costs and a non-recurring gain relating to a claim against a vendor. Operating costs include depreciation charges of £946,613 and amortisation of intangible assets of £43,632

Profit after tax has increased in line with the overall increase in operating profit

The "quick ratio" (current assets as a percentage of current liabilities) has increased by 4% due to an increase in inventory levels and intercompany debt

Headcount has fallen as efficiencies have been achieved in all areas throughout the period

The directors consider that Sensient Flavors has an excellent future and will continue in 2007 to consolidate its position as one of the United Kingdom's leading ingredient manufacturers

#### **DIVIDENDS**

The directors do not recommend payment of a dividend (2005 £nil)

#### **DIRECTORS**

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

A J Farmer  
J T Makal

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The directors continually review and evaluate the risks that the group is facing. The principal risks and uncertainties facing the group are broadly grouped as – competitive, legislative and financial instrument risk

## **DIRECTORS' REPORT (continued)**

### **Competitive risks**

The flavour industry throughout Europe has faced very strong competition in recent years. The company puts strong emphasis on its excellent service levels, quality of its product and competitive pricing to its customer base to maintain its position within the market.

### **Legislative risks**

Legislative risk within the UK food and flavour industry is controlled by the Food Standards Agency. Other industry specific recognised bodies provide good practice / standards to follow.

### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow 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.

- **Cash flow risk**

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge significant exposures.

- **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 counter parties 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 counter parties and customers.

- **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term intercompany debt finance.

- **Price risk**

The company is exposed to commodity price risk. The company generally purchases these commodities based upon market prices that are established with the vendor as part of the purchase process. The Company does not use commodity financial instruments to hedge commodity prices due to cost benefit considerations.

### **Post Balance Sheet Events**

There have been no material post balance sheet events, which would require disclosure or adjustment to the 31 December 2006 Financial Statements.

**DIRECTORS' REPORT (continued)**

**Auditors**

On 23 January 2007 the directors appointed Ernst & Young LLP as the company's auditors in place of Deloitte and Touche LLP

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

**Information for the auditors**

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquires of fellow directors and of the company's auditors, each of these directors confirm that

- To the best of each directors knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of the relevant audit information and to establish that the company's auditors are aware of that information

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



**A. J. Farmer**  
Director

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss of the company. In preparing those 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, and
- 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 inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 safe guarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## SENSIENT FLAVORS LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SENSIENT FLAVORS LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 within it.

#### 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

*Ernst & Young LLP*

Ernst & Young LLP  
One Bridewell Street  
Bristol  
BS1 2AA

*2 July 2008*



**SENSIENT FLAVORS LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2006**

	<i>Note</i>	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
<b>TURNOVER continuing operations</b>	2	25,531,550	26,243,784
Cost of sales		(20,072,208)	(20,782,568)
Gross profit		5,459,342	5,461,216
Operating expenses	3	(3,248,687)	(4,454,829)
Other operating income		173,093	173,971
<b>OPERATING PROFIT: continuing operations</b>		2,383,748	1,180,358
Interest payable and similar charges	5	(1,949,373)	(1,484,717)
Interest receivable and similar income		1,103,770	755,663
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	1,538,145	451,304
Tax on profit on ordinary activities	7	(539,432)	(118,524)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	18	998,713	332,780

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

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 2006**

	<i>Note</i>	<b>2006</b> £	<b>2005</b> £
<b>FIXED ASSETS</b>			
Investments	8	13,650,000	13,650,000
Tangible assets	9	8,127,275	8,653,765
Intangible assets	10	132,160	175,792
		<u>21,909,435</u>	<u>22,479,557</u>
<b>CURRENT ASSETS</b>			
Stocks	11	7,087,263	6,579,613
Debtors	12	27,941,098	25,665,689
Cash at bank and in hand		401,090	278,293
		<u>35,429,451</u>	<u>32,523,595</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(36,367,003)</u>	<u>(35,151,291)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(937,552)</u>	<u>(2,627,696)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>20,971,883</u>	<u>19,851,861</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	<u>(13,654,517)</u>	<u>(13,690,906)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<u>(451,657)</u>	<u>(293,959)</u>
<b>NET ASSETS</b>		<u>6,865,709</u>	<u>5,866,996</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	609,000	609,000
Share premium account	18	147,000	147,000
Profit and loss account	18	6,109,709	5,110,996
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>6,865,709</u>	<u>5,866,996</u>

The Board of Directors approved these financial statements on *20 June* 2008

Signed on behalf of the Board of Directors



**A. J. Farmer**  
Director

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2006**

**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.

**Basis of Preparation**

The company is supported by its parent company, Sensient Technologies Corporation. The company has received a parental support letter from its parent company which enables the financial statements to be prepared on a going concern basis.

**Tangible fixed assets**

Tangible fixed assets are stated at their purchase price, together with any incidental expense.

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 2006**

**1. ACCOUNTING POLICIES (continued)**

**Cash flow statement**

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. The total contributions charged to the profit and loss account in the year were £162,644 (2005 £328,094)

**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

**Research and development**

Research and development expenditure is charged to the profit and loss account as incurred

**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 228A 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 2006**

**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 is attributable to each of the company's geographical markets as follows

	2006	2005
	£	£
<b>Geographical analysis of turnover by destination</b>		
United Kingdom	13,438,502	14,730,790
Other European countries	6,421,849	6,174,912
Rest of the world	5,671,199	5,338,082
	<u>25,531,550</u>	<u>26,243,784</u>

**3. OPERATING EXPENSES**

	2006	2005
	£	£
Distribution costs	781,047	952,677
Administrative expenses	2,467,640	3,502,152
	<u>3,248,687</u>	<u>4,454,829</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2006**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Directors' emoluments</b>		
Emoluments	30,519	159,486
Pension contributions	<u>3,262</u>	<u>12,669</u>
	<b>33,781</b>	<b>172,155</b>
	<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>No.</b>	<b>No.</b>
<b>Average number of persons employed (excluding executive directors)</b>		
Production	113	113
Administration	<u>54</u>	<u>62</u>
	<b>167</b>	<b>175</b>
	<b>£</b>	<b>£</b>
<b>Staff costs during the period (including directors)</b>		
Wages and salaries	4,475,338	4,566,026
Social security costs	462,880	441,818
Pension contributions	<u>162,644</u>	<u>328,094</u>
	<b>5,100,862</b>	<b>5,335,938</b>

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank interest payable	-	41
Intercompany interest	<u>1,949,373</u>	<u>1,484,676</u>
	<b>1,949,373</b>	<b>1,484,717</b>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2006**

**6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2006	2005
	£	£
<b>Profit on ordinary activities before taxation is stated after charging / (crediting):</b>		
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)	946,613	1,099,907
Auditors' remuneration		
- Audit	33,000	31,500
- Non audit	-	16,000
Operating lease hire – plant and machinery	213,185	224,579
– other	68,000	68,000
Foreign exchange costs / (gain)	9,478	(1,828)

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

*1) Current Tax*

	2006	2005
	£	£
United Kingdom corporation tax at 30% (2005 30%)	372,355	305,365
Adjustment in respect of prior years	9,379	(47,508)
Group relief in respect to prior years		209,246
	381,734	467,103
Deferred taxation	139,724	(137,271)
Adjustment in respect of prior years	17,974	(211,308)
	539,432	118,524

There are proposed changes to rates of capital allowances on industrial buildings, which have not yet been substantively enacted, and therefore the company has not quantified any impact of the changes at this stage

*2) Factors affecting the tax charge for the current period*

	2006	2005
	£	£
Profit on ordinary activities before taxation	1,538,145	451,304
United Kingdom corporation tax at 30% (2005 30%)	461,444	135,931
Expenses not deductible for tax purposes	39,636	16,655
Capital allowances in excess of depreciation	(155,317)	264,921
Movement on short term timing difference	26,592	(111,603)
Adjustment in respect of prior years	9,379	161,738
	381,734	467,103

**SENSIENT FLAVORS LIMITED**

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2006**

**8 INVESTMENTS HELD AS FIXED ASSETS**

	<b>Total</b>
<b>Cost and net book value</b>	<b>£</b>
At 1 January 2006 and 31 December 2006	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**

	<b>Freehold land and buildings £</b>	<b>Plant and machinery £</b>	<b>Computer equipment £</b>	<b>Assets in course of construction £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 January 2006	4,299,073	13,236,757	1,235,707	165,159	18,936,696
Additions	39,029	340,639	25,822	106,408	511,898
Transfer	-	165,158	-	(165,158)	-
Disposal	(9,190)	(189,729)	-	-	(198,919)
At 31 December 2006	<u>4,328,912</u>	<u>13,552,825</u>	<u>1,261,529</u>	<u>106,409</u>	<u>19,249,675</u>
<b>Depreciation</b>					
At 1 January 2006	523,080	8,902,560	857,291	-	10,282,931
Charge for the year	63,605	771,138	111,870	-	946,613
Disposals	(4,534)	(102,610)	-	-	(107,144)
At 31 December 2006	<u>582,151</u>	<u>9,571,088</u>	<u>969,161</u>	<u>-</u>	<u>11,122,400</u>
<b>Net book value</b>					
At 31 December 2006	<u>3,746,761</u>	<u>3,981,737</u>	<u>292,368</u>	<u>106,409</u>	<u>8,127,275</u>
At 31 December 2005	<u>3,775,993</u>	<u>4,334,197</u>	<u>378,416</u>	<u>165,159</u>	<u>8,653,765</u>

Included in the cost of £19,249,675 (2005 - £18,936,696) is capitalised interest of £183,644 (2005 - £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 (2005 - £1,109,087) which is not depreciated.



**SENSIENT FLAVORS LIMITED**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2006**

**10. INTANGIBLE FIXED ASSETS**

	<b>Customer list and know how</b>
	<b>£</b>
<b>Acquisition value</b>	
At 1 January 2006 and 31 December 2006	<u>350,320</u>
<b>Accumulated amortisation</b>	
At 1 January 2006	174,528
Charge for the year	<u>43,632</u>
At 31 December 2006	<u>218,160</u>
<b>Net book value</b>	
At 31 December 2006	<u>132,160</u>
At 31 December 2005	<u>175,792</u>

**11 STOCKS**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	3,329,115	2,541,975
Finished goods and goods for resale	<u>3,758,148</u>	<u>4,037,638</u>
	<u>7,087,263</u>	<u>6,579,613</u>

**12. DEBTORS**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade debtors	4,069,080	4,198,850
Amounts owed by group undertakings	23,454,802	21,201,782
Prepayments and accrued income	414,308	265,057
Corporation tax	<u>2,908</u>	<u>-</u>
	<u>27,941,098</u>	<u>25,665,689</u>

**SENSIENT FLAVORS LIMITED**

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2006**

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

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank overdraft	633	4,510
Trade creditors	2,565,992	2,182,899
Amounts owed to group undertakings	32,922,146	31,647,246
Other taxation and social security payable	389,501	236,511
Accruals and deferred income	650,868	1,043,736
Government grants (see note 16)	36,389	36,389
	<u>36,367,003</u>	<u>35,151,291</u>

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

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Unsecured loan note	13,650,000	13,650,000
Government grants (see note 16)	4,517	40,906
	<u>13,654,517</u>	<u>13,690,906</u>

Interest on the unsecured loan due to Sensient Technologies Limited was £787,727 for the period to 31 December 2006. Interest for the period ended 31 December 2005 was £792,266.

The loan note matures on 31 December 2016.

**15 PROVISIONS FOR LIABILITIES AND CHARGES**

**Deferred taxation**

Deferred taxation is as follows

	<b>Amounts provided</b>	
	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Excess of tax allowances over depreciation	470,670	283,482
Short term timing differences	(19,014)	10,477
	<u>451,657</u>	<u>293,959</u>
<b>Deferred taxation movement for the year</b>		
Balance at 1 January 2006		293,959
Current year charge		<u>157,698</u>
Balance at 31 December 2006		<u>451,657</u>

**SENSIENT FLAVORS LIMITED**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2006**

**16 GOVERNMENT GRANTS**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Government grants	<u>40,906</u>	<u>77,295</u>
of which		
	<b>£</b>	<b>£</b>
Amounts falling due within one year (note 13)	36,389	36,389
Amounts falling due after more than one year (note 14)	<u>4,517</u>	<u>40,906</u>
	<u>40,906</u>	<u>77,295</u>

**17. CALLED UP SHARE CAPITAL**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
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**

	<b>Share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total 2006</b>	<b>Total 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2006	609,000	147,000	5,110,996	5,866,996	5,534,216
Retained profit for the year	-	-	998,713	998,713	332,780
At 31 December 2006	<u>609,000</u>	<u>147,000</u>	<u>6,109,709</u>	<u>6,865,709</u>	<u>5,866,996</u>

## SENSIENT FLAVORS LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 December 2006

#### 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 Limited (formally Sensient Technologies (UK) Limited), a company incorporated in Great Britain, and its financial statements are filed at Companies House, Crown Way, Maundy, Cardiff CF14 3UZ.

#### 20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2006, the company was committed to making the following payments during the next year in respect of operating leases:

	Building 2006	Building 2005
Leases which expire	£	£
After more than 5 years	68,000	68,000
	68,000	68,000
	<b>Other 2006</b>	<b>Other 2005</b>
Leases which expire	£	£
Within one year	11,697	18,096
Within 2 to 5 years	172,620	172,299
After more than 5 years	-	1,739
	184,317	192,134

#### 21 SHARE OPTIONS

Share in the parent company, Sensient Technologies Corporation, are granted to senior executives. Options are granted at an exercise price equal to that of the market price of Sensient Technologies at the time of grant. The cost associated with the equity settled options is included in the financial statements of Sensient Technologies Corporation, additionally it is not the intention of Sensient Technologies Corporation to pass on any of the relevant costs of the options to Sensient Flavors Limited. In addition the cost and disclosures are not significant in the context of the financial statements and have not been included in these financial statements. There is no cash alternative.

#### 22. FUNDS HELD OVERSEAS

The company is owed £95,714, which is included in Trade Debtors by a subsidiary of a United Kingdom public limited company that is based in a country where there are currently restrictions over the movement of foreign currency outside of that country. The company has also received payments with an equivalent value of £236,361, which are held in a local

**SENSIENT FLAVORS LIMITED**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2006**

currency denominated bank account until such time as the financial controls over the movement of foreign currency is relaxed and payment can be remitted back to the United Kingdom