

**SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS
WALES LIMITED)**

Report and Financial Statements

31 December 2002

**Deloitte & Touche LLP
St Albans**



SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A J Farmer
C L Lawlor

SECRETARY

Gravitas Company Secretarial Services Limited

REGISTERED OFFICE

Bilton Road
Bletchley
Milton Keynes
Bucks
MK1 1HP

BANKERS

ABN AMRO Bank N.V.

Deutsche Bank

SOLICITORS

Edwards Geldard
Dumfries House
Dumfries Place
Cardiff
CF1 4YF

AUDITORS

Deloitte & Touche LLP
St Albans

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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

On 28 February 2002, the assets and the business of Sensient Flavors Wales Limited (formerly Sensient Flavors Limited), and its wholly owned subsidiary DC Flavours Limited were acquired via 2 Hive Up agreements to Sensient Flavors Limited (formerly Sensient Flavors Wales Limited).

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 year of £3,364,000 (2001 - £873,000). No final dividend was declared. (2001 - £nil)

DIRECTORS AND THEIR INTERESTS

The directors of the company, who served throughout the year ended 31 December 2002, were:

A J Farmer
C L Lawlor


None of the directors had any interests in the shares of the company or any other UK group companies in either 2001 or 2002.

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

A J Farmer



Director

Date.....27/5/04.....

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)**

We have audited the financial statements of Sensient Flavors Limited (formerly Sensient Flavors Wales Limited) for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. 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 the 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

Date *3 June 2004*

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £	2001 £
TURNOVER:	2		
continuing operations		15,555,935	14,225,059
acquired activities		<u>8,384,391</u>	<u>-</u>
Total turnover		23,940,326	14,225,059
Cost of sales		<u>(17,294,345)</u>	<u>(10,352,932)</u>
Gross profit		6,645,981	3,872,127
Operating expenses	3	(4,796,366)	(2,052,385)
Other operating income		<u>279,166</u>	<u>250,268</u>
OPERATING PROFIT:			
continuing operations		3,010,137	2,070,010
acquired activities		<u>(881,356)</u>	<u>-</u>
Total operating profit		2,128,781	2,070,010
Profit on disposal of fixed assets	5	1,855,693	-
Interest payable and similar charges	6	(809,453)	(416)
Interest receivable and similar income		<u>-</u>	<u>22,662</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	3,175,021	2,092,256
Tax on profit on ordinary activities	8	<u>(258,548)</u>	<u>(631,235)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		2,916,473	1,461,021
Dividends	9	<u>(3,364,000)</u>	<u>(873,000)</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	20	<u>(447,527)</u>	<u>588,021</u>

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

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

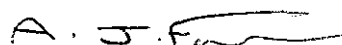
BALANCE SHEET
31 December 2002

	Note	£	2002 £	£	2001 £
FIXED ASSETS					
Investments	10		13,650,000		13,650,000
Tangible assets	11		9,728,875		6,431,992
Intangible assets	12		306,688		-
			<u>23,685,563</u>		<u>20,081,992</u>
CURRENT ASSETS					
Stocks	13	6,889,413		3,304,393	
Debtors	14	7,955,680		4,190,444	
Cash at bank and in hand		661,199		1,740,933	
		<u>15,506,292</u>		<u>9,235,770</u>	
CREDITORS: amounts falling due					
Within one year	15	(21,465,806)		(5,945,825)	
NET CURRENT (LIABILITIES)/ASSETS			<u>(5,959,514)</u>		<u>3,289,945</u>
TOTAL ASSETS LESS CURRENT					
 LIABILITIES			<u>17,726,049</u>		<u>23,371,937</u>
CREDITORS: amounts falling due after					
 more than one year	16	(13,650,000)		(13,650,000)	
PROVISIONS FOR LIABILITIES					
 AND CHARGES	17	(751,744)		(373,729)	
ACCRUALS AND DEFERRED INCOME	18	(150,073)		(222,851)	
			<u>3,174,232</u>		<u>9,125,357</u>
CAPITAL AND RESERVES					
Called up share capital	19	609,000		609,000	
Share premium account	20	147,000		147,000	
Profit and loss account	20	2,418,232		8,369,357	
EQUITY SHAREHOLDERS' FUNDS	21		<u>3,174,232</u>		<u>9,125,357</u>

These financial statements were approved by the Board of Directors on 27th May 2004

Signed on behalf of the Board of Directors

A J Farmer



Director

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

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	5% - 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 or losses 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.

Operating leases

Costs in respect of operating leases are charged in arriving at operating profit or loss 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 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, Sensient Technologies (UK) Limited.

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

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 or ten years. The labour element is released to the profit and loss account to match the costs of job creation.

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 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.

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:

	2002 £	2001 £
United Kingdom	15,883,727	9,646,242
Rest of the world	8,056,599	4,578,817
	<u>23,940,326</u>	<u>14,225,059</u>

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

3. OPERATING EXPENSES

	2002	2001
	£	£
Selling costs	1,711,473	584,446
Administrative expenses	3,084,893	1,467,939
	<u>4,796,366</u>	<u>2,052,385</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002	2001
	£	£
Directors' emoluments		
Emoluments	100,718	97,714
Pension contributions	10,893	10,086
	<u>111,611</u>	<u>107,800</u>
	No.	No.
Number of directors who are members of the company's defined contribution pension scheme	<u>1</u>	<u>1</u>

Average number of persons employed (excluding executive directors)	No.	No.
Production	112	79
Administration	60	35
	<u>172</u>	<u>114</u>

	£	£
Staff costs during the period (including directors)		
Wages and salaries	3,683,309	2,101,535
Social security costs	404,531	192,163
Pension contributions	248,735	129,259
	<u>4,336,575</u>	<u>2,422,957</u>

5. PROFIT ON DISPOSAL OF FIXED ASSETS

Profit on ordinary activities is arrived at after crediting the following exceptional item:

	2002	2001
	£	£
Profit on disposal of land and buildings	<u>1,855,693</u>	<u>-</u>

The company completed the disposal of part of its land and buildings on 6 December 2002.

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

ii) Factors affecting the tax charge for the current period

	2002 £	2001 £
Profit/(loss) on ordinary activities before tax	3,175,021	2,092,256
Tax at 30% thereon	952,506	627,677
Expenses not deductible for tax purposes	27,527	7,259
Capital allowances in excess of depreciation	(183,794)	111,767
Group relief claimed	(68,532)	-
Chargeable gains	517,206	-
Profit on disposal of non-qualifying assets	(554,024)	-
Prior period adjustment	-	(3,701)
	<u>690,889</u>	<u>743,002</u>

9. DIVIDENDS

	2002 £	2001 £
Equity dividends		
Interim paid - £5.52 per ordinary share (2001 - £1.43)	<u>3,364,000</u>	<u>873,000</u>

10. INVESTMENTS HELD AS FIXED ASSETS

	Total £
Cost and net book value	
At 1 January 2002 and 31 December 2002	<u>13,650,000</u>

The above investment relates to Sensient Flavors Wales Limited (formerly Sensient Flavors Limited).

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

11. TANGIBLE FIXED ASSETS

	Assets in course of construction £	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Total £
Cost					
At 1 January 2002	105,137	2,805,035	8,174,114	281,496	11,365,782
Intercompany transfer	161,867	1,493,621	2,844,047	594,048	5,093,583
Additions	624,515	6,500	85,270	31,987	748,272
Transfer	(750,193)	146,073	282,924	321,196	-
Disposals	-	(257,073)	-	-	(257,073)
At 31 December 2002	<u>141,326</u>	<u>4,194,156</u>	<u>11,386,355</u>	<u>1,228,727</u>	<u>16,950,564</u>
Accumulated depreciation					
At 1 January 2002	-	265,511	4,421,561	246,718	4,933,790
Intercompany transfer	-	48,633	1,248,386	103,777	1,400,796
Charge for the year	-	55,732	790,792	85,568	932,092
Release in the year	-	(44,989)	-	-	(44,989)
At 31 December 2002	<u>-</u>	<u>324,887</u>	<u>6,460,739</u>	<u>436,063</u>	<u>7,221,689</u>
Net book value					
At 31 December 2002	<u>141,326</u>	<u>3,869,269</u>	<u>4,925,616</u>	<u>792,664</u>	<u>9,728,875</u>
At 31 December 2001	<u>105,137</u>	<u>2,539,524</u>	<u>3,752,553</u>	<u>34,778</u>	<u>6,431,992</u>

Included in the cost of £16,950,564 (2001 - £11,365,782) is capitalised interest of £183,664 (2001 - £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.

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

12. INTANGIBLE FIXED ASSETS

	Customer lists and know how £
Cost	
At 1 January 2002	-
Acquired in year	350,320
	<hr/>
At 31 December 2002	350,320
	<hr/>
Amortisation	
At 1 January 2002	-
Charge for the year	43,632
	<hr/>
At 31 December 2002	43,632
	<hr/>
Net book value	
At 31 December 2002	306,688
	<hr/>
At 31 December 2001	-
	<hr/>

The intangible fixed asset arose on the acquisition of the business of Sensient Flavors Wales Limited (formerly Sensient Flavors Limited) on 28 February 2002 as a going concern.

13. STOCKS

	2002 £	2001 £
Raw materials and consumables	2,817,765	1,652,280
Finished goods and goods for resale	4,071,648	1,652,113
	<hr/>	<hr/>
	6,889,414	3,304,393
	<hr/>	<hr/>

14. DEBTORS

	2002 £	2001 £
Trade debtors	5,283,449	2,578,979
Amounts owed by group undertakings	1,006,749	142,671
Prepayments and accrued income	660,348	179,690
Corporation tax	1,005,134	1,289,104
	<hr/>	<hr/>
	7,955,680	4,190,444
	<hr/>	<hr/>

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdraft	1,406,020	-
Trade creditors	1,459,280	898,610
Amounts owed to group undertakings	16,167,392	4,387,725
Other taxation and social security payable	590,622	233,930
Corporation tax	1,227,654	-
Accruals and deferred income	578,449	425,560
Government grants (see note 18)	36,389	-
	<u>21,465,806</u>	<u>5,945,825</u>

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

	2002 £	2001 £
Unsecured loan note	<u>13,650,000</u>	<u>13,650,000</u>

Interest on the unsecured loan note due to Sensient Technologies Limited was waived for the period to 31 December 2001. Interest for the year to 31 December 2002 is charged at Libor plus 1%.

The loan note matures on 31 December 2016.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred taxation is as follows:

	Amounts provided 2002 £	2001 £
Excess of tax allowances over depreciation	753,527	374,666
Short term timing differences	-	(937)
Pension accrual	(1,783)	-
	<u>751,744</u>	<u>373,329</u>
Deferred taxation movement for the year		
Balance at 1 January 2002		373,729
Current year credit		(432,341)
Amounts arising on acquisition of business		810,356
Balance at 31 December 2002		<u>751,744</u>

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

18. ACCRUALS AND DEFERRED INCOME

	2002 £
Government grants	
At 1 January 2002	222,851
Amortisation in year	(36,389)
At 31 December 2002	<u>186,462</u>
Government grants are released as follows:	
In one year or less	36,389
Greater than one year	150,073
	<u>186,462</u>

19. CALLED UP SHARE CAPITAL

	2002 £	2001 £
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>

20. MOVEMENTS ON RESERVES

	Profit and loss account £	Share premium account £
At 1 January 2002	8,369,357	147,000
Difference between consideration and net assets hived up	(5,503,598)	-
Retained loss for the year	<u>(447,527)</u>	<u>-</u>
At 31 December 2002	<u>2,418,232</u>	<u>147,000</u>

On 28 February 2002 the net assets of Sensient Flavors Wales Limited (formerly Sensient Flavors Limited) and the net assets of DC Flavours Limited were hived up into Sensient Flavors Limited (formerly Sensient Wales Limited) at book value. Consideration of £13,650,000 was paid via intercompany balances.

SENSIENT FLAVORS LIMITED
(FORMERLY SENSIENT FLAVORS WALES LIMITED)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial period	2,064,924	1,461,021
Equity dividends	(3,364,000)	(873,000)
Retained (loss)/profit for the financial period	(1,299,076)	588,021
Difference between consideration and net assets hived up	(5,503,598)	-
Opening shareholders' funds	9,125,357	8,537,336
Closing shareholders' funds	<u>2,322,683</u>	<u>9,125,357</u>

22. 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 largest and smallest group of undertakings for which *group financial statements have been drawn up is that headed by Sensient Technologies (UK) Limited.*

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

23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	Other 2002 £	Other 2001 £
Leases which expire:		
Within one year	-	-
Within 2 to 5 years	90,000	90,000
After more than 5 years	-	-
	<u>90,000</u>	<u>90,000</u>