Company Registration No. 1514781

SENSIENT FLAVORS LIMITED

Annual Report and Financial Statements

31 December 2017

SENSIENT FLAVORS LIMITED
Company Registration No. 1514781

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

CONTENTS

Page

Officers and Professional Advisers 1

Strategic Report 2

Directors' Report 5

Statement of Directors' Responsibilities 7

Independent Auditor's Report 8

Profit and Loss Account 11

Statement of Comprehensive Income 11

Balance Sheet 12

Statement of Changes in Equity 13

Notes to the Accounts 14-23

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M.De Meyer
J. T. Makal

REGISTERED OFFICE

Bilton Road
Bletchley
Milton Keynes
Buckinghamshire
MK1 1HP

BANKERS

HSBC
Level 6, Metropolitan House
CBX 3 321 Avebury Boulevard
Milton Keynes
MK9 2GA

SOLICITORS

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

AUDITORS

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2017.

Principal 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:

	2017	2016	Change
	£'000	£'000	%
Turnover	55,709	51,727	8%
Depreciation	2,001	1,605	(25)%
Operating loss	(528)	(1,080)	51%
Loss after tax	(1,435)	(1,218)	(18)%
Current assets as % of current liabilities	76%	81%	(5)%
Average no of employees	251	222	13%

Turnover has increased during the year. The key drivers for this were the transfer of Bremen and Milan manufacturing to the Bletchley site during 2016 as well as the transfer of Strasbourg manufacturing to the Felinfach site in early 2017.

This was a very challenging year for the Felinfach site as there were a number of new processes and products that were moved as part of the transfer of Strasbourg manufacturing to the site. This negatively impacted production yield, resulted in additional costs for the business and caused some lost sales opportunities. The operating losses in the year includes restructuring costs of £36,342 (2016: £407,538).

Loss after tax has improved due to the impacts of the Bremen and Milan manufacturing transfer having a positive impact and restructuring costs being reduced.

The "quick ratio" (current assets as a percentage of current liabilities) has decreased during the year. The key drivers for this were improved debtor collections and tighter controls over raw material procurement.

There have been a number of actions that have been implemented to improve production efficiency, product availability and reduce costs. The directors consider that Sensient Flavors has an excellent future and has continued in 2018 to consolidate its position as one of the United Kingdom's leading ingredient manufacturers.

Future developments

The directors aim to maintain the policies of the company, while concentrating on increasing revenue and reducing costs. To become more competitive and increase sales, there will be additions to the headcount in the innovations departments to improve the product offering. Opportunities will be discussed regularly to increase volumes with current customers, which will drive improved production efficiency and reduce cost, and to develop relationships with new customers.

Principal Risks and Uncertainties

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

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.

STRATEGIC REPORT (Continued)

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 related 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.

STRATEGIC REPORT (Continued)

Research and development

The group carries out product research and development to enhance its current portfolio of products. Research and development expenditure charged to operating loss in the current year is £1,137,264 (2016: £1,459,574).

By order of the Board

M. De Meyer

Director

Date: 19\12\2018

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for Sensient Flavors Limited for the year ended 31 December 2017.

During the year the Company has continued to take advantage of the FRS 102 disclosure exemptions allowed under this standard. The Company's ultimate parent undertaking, Sensient Technologies Corporation, was notified of and did not object to the use of the disclosure exemptions.

DIVIDENDS

No dividends were received in 2017 (2016: Nil). No dividends have been declared and paid by the company during the year (2016: Nil).

DIRECTORS

The current membership of the board is set out on page 1. The directors who served during the year and to the date of this report were:

M. De Meyer
J. T. Makal

GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 2 to 4.

Whilst the company is currently seeing increased profits, improved sales performance and reduced costs, the directors recognize that the company has experienced losses in 2017 and previous periods and at 31 December 2017 is in a net current liability position. As a result, the directors have made enquires of the parent company (Sensient Technologies Corporation) to provide financial support to the company as necessary. The company has received a letter of support from the parent company. The directors are satisfied that the parent company is in a position to provide full support and have therefore prepared the accounts on a going concern basis.

EMPLOYEE INVOLVEMENT

The company holds monthly Town Hall Meetings where the company's performance is shared with the employees. This allows employees to see the direct impact they have on the performance of the company. Employees are also encouraged to give suggestions via a suggestion box on how business activities and surroundings can be improved to make the work environment better. These suggestions are also discussed at the monthly Town Hall Meetings.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events, which would require disclosure or adjustment to the 31 December 2017 Financial Statements.

RE-APPOINTMENT OF AUDITORS

The auditor, Ernst & Young LLP is deemed to be reappointed in accordance with section 485 of the Companies Act 2006 by virtue of an elective resolution passed by members on 29 November 2006.

SENSIENT FLAVORS LIMITED
Company Registration No. 1514781

DISCLOSURE OF INFORMATION FOR THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

M. De Meyer
Director

Date: 19/12/2018

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;
- 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 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSIENT FLAVORS LIMITED

Opinion

We have audited the financial statements of Sensient Flavors Limited for the year ended 31 December 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSIENT FLAVORS LIMITED (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENSIENT FLAVORS LIMITED (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst + Young LLP

Chris Gilbert (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

City: Bristol

Date: 20 December 2018.

SENSIENT FLAVORS LIMITED
Company Registration No. 1514781

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2017

	Note	2017 £	2016 £
TURNOVER	2	55,708,793	51,727,489
Cost of sales		(45,818,421)	(42,888,688)
Gross profit		9,890,372	8,838,801
Operating expenses	3	(10,676,871)	(10,147,337)
Other operating income	4	258,422	228,318
OPERATING LOSS		(528,077)	(1,080,218)
Interest payable and similar charges	6	(620,056)	(459,246)
Interest receivable			11,086
LOSS BEFORE TAXATION	7	(1,148,133)	(1,528,378)
Tax on loss	8	(286,860)	310,417
LOSS FOR THE FINANCIAL YEAR		(1,434,993)	(1,217,961)

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	2017 £	2016 £
Loss for the financial year	(1,434,993)	(1,217,961)

SENSIENT FLAVORS LIMITED
Company Registration No. 1514781

BALANCE SHEET
As at 31 December 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	9	27,899,238	26,915,705
CURRENT ASSETS			
Stocks	10	22,263,196	23,251,634
Debtors	11	11,066,096	12,982,924
Cash at bank and in hand		45,241	130,572
		33,374,533	36,365,130
CREDITORS: amounts falling due within one year	12	(44,013,370)	(44,936,235)
NET CURRENT LIABILITIES		(10,638,837)	(8,571,105)
TOTAL ASSETS LESS CURRENT LIABILITIES		17,260,401	18,344,600
CREDITORS: amounts falling due after more than one year	13	(13,650,000)	(13,650,000)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(716,691)	(365,897)
NET ASSETS		2,893,710	4,328,703
CAPITAL AND RESERVES			
Called up share capital	15	609,000	609,000
Share premium account		147,000	147,000
Profit and loss account		2,137,710	3,572,703
EQUITY SHAREHOLDERS' FUNDS		2,893,710	4,328,703

The Board of Directors approved these financial statements in December 2018.

Signed on behalf of the Board of Directors

M. De Meyer
Director

Date: 19\12\18 .

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share capital account	Share premium account	Profit and loss account	Total
	£	£	£	£
At 1 January 2016	609,000	147,000	4,790,664	5,546,664
Loss for the financial year and total comprehensive income	-	-	(1,217,961)	(1,217,961)
At 31 December 2016	609,000	147,000	3,572,703	4,328,703
Loss for the financial year and total comprehensive income	-	-	(1,434,993)	(1,434,993)
At 31 December 2017	609,000	147,000	2,137,710	2,893,710

NOTES TO THE ACCOUNTS
Year ended 31 December 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Sensient Flavors Ltd is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3. The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Sensient Flavors Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Sensient Flavors Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Sensient Flavors Limited is consolidated in the financial statements of its ultimate parent, Sensient Technologies Corporation, which are publicly available.

Exemptions from disclosure have been taken in relation to:

- the requirement to disclose a reconciliation of the number of shares outstanding at the beginning and end of the year;
- the preparation of a statement of cash flows;
- financial instruments;
- share-based payments;
- intra-group transactions; and
- remuneration of key management personnel.

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

Whilst the company is currently seeing increased profits, improved sales performance and reduced costs, the directors recognize that the company has experienced losses in 2017 and previous periods and at 31 December 2017 is in a net current liability position. As a result, the directors have made enquires of the parent company (Sensient Technologies Corporation) to provide financial support to the company as necessary. The company has received a letter of support from the parent company. The directors are satisfied that the parent company is in a position to provide full support and have therefore prepared the accounts on a going concern basis.

NOTES TO THE ACCOUNTS
Year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

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

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 - 15 %
Computer equipment	20 %

Depreciation is not provided on freehold land.

Assets in the course of construction are capitalised at cost. No depreciation is charged 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 the 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.

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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

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 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.

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Using information available at the balance sheet date, judgments have been made regarding the level of provision required to account:

- for potentially uncollectible receivables;
- a correct stock valuation, considering potentially obsolete stock.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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:

	2017	2016
	£	£
Geographical analysis of turnover by destination		
United Kingdom	17,813,647	16,688,289
Other European countries	25,544,970	21,936,770
Rest of the world	12,350,176	13,102,430
	55,708,793	51,727,489

3. OPERATING EXPENSES

	2017	2016
	£	£
Selling costs	1,888,104	1,837,851
Administrative expenses	8,788,767	8,309,486
	10,676,871	10,147,337

4. OTHER OPERATING INCOME

	2017	2016
	£	£
Income related to Freight	258,422	204,964
Other revenue – Recharges	-	23,354
	258,422	228,318

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2017	2016
	£	£
Directors' emoluments		
Emoluments	220,130	249,463
Pension contributions	18,462	18,100
Gains made on the exercise of share options	18,473	-
	257,065	267,563

	2017	2016
	No.	No.
Number of directors who are members of the company's defined contribution pension scheme	1	1

	2017	2016
	No.	No.
Average number of persons employed (including executive directors)		
Production	176	149
Administration	75	73
	251	222

	2017	2016
	£	£
Staff costs during the year (including directors)		
Wages and salaries	9,275,722	8,439,101
Social security costs	988,317	907,870
Pension contributions	688,678	610,828
	10,952,717	9,957,799

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
Bank interest	315,661	250,945
Intercompany loan interest	304,395	208,301
	620,056	459,246

The intercompany loan interest rate is based on LIBOR + 1% on a quarterly basis, using the daily sterling interbank lending rate, 3 month, mean LIBOR.

7. LOSS BEFORE TAXATION

	2017	2016
	£	£
Loss before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 9)	2,000,962	1,604,966
Auditors' remuneration		
- Audit	55,000	45,184
Operating lease hire – plant and machinery	358,881	338,408
land and buildings	100,593	108,240
Foreign exchange gains/ (losses)	(2,067)	399,828

8. TAX ON LOSS ON ORDINARY ACTIVITIES

i) Tax charge/(credit) for the year

	2017	2016
Current Tax	£	£
UK corporation tax on losses of the period	39,869	(82,197)
Adjustment in respect of previous periods	(103,803)	-
	(63,934)	(82,197)
Deferred taxation		
Origination and reversal of timing differences	166,074	(133,370)
Adjustment in respect of previous periods	208,759	(73,254)
Effect of changes in tax rates	(24,039)	(21,596)
Total deferred tax	350,794	(228,220)
Tax on loss on ordinary activities	286,860	(310,417)

8. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

ii) Factors affecting the current tax charge/(credit) for the year

	2017	2016
	£	£
Loss on ordinary activities before taxation	(1,148,133)	(1,528,378)
United Kingdom corporation tax at 19.25% (2016: 20%)	(220,976)	(305,676)
Effects of:		
Expenses not deductible for tax purposes	274,347	105,200
Effects of group relief/ other relief	152,599	-
Income not taxable	-	(15,091)
Tax rate changes	(24,066)	(21,596)
Adjustment in respect of prior years	104,956	(73,254)
Total tax credit	286,860	(310,417)

iii) Factors affecting future tax charges

The reduction in the UK corporation tax rate to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and a further reduction to 17% was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 December 2017 is therefore 19.25% and the rate used for closing deferred tax balances is 17.00%.

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Assets in course of construction £	Total £
Cost					
At 1 January 2017	11,339,618	31,646,569	1,580,501	2,857,950	47,424,638
Additions	-	-	-	2,995,809	2,995,809
Disposals	-	(56,017)	-	-	(56,017)
Transfer	2,010,415	2,646,360	-	(4,656,775)	-
At 31 December 2017	13,350,033	34,236,912	1,580,501	1,196,984	50,364,430
Depreciation					
At 1 January 2017	2,296,054	16,879,181	1,333,698	-	20,508,933
Disposals	-	(44,703)	-	-	(44,703)
Charge for the year	307,588	1,682,769	10,605	-	2,000,962
At 31 December 2017	2,603,642	18,517,247	1,344,303	-	22,465,192
Net book value					
At 31 December 2017	10,746,391	15,719,665	236,198	1,196,984	27,899,238
At 31 December 2016	9,043,564	14,767,388	246,803	2,857,950	26,915,705

9. TANGIBLE FIXED ASSETS (continued)

Included in the cost of £50,364,430 (2016 - £47,424,638) is capitalised interest of £183,664 (2016 - £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 £1,683,606 (2016 - £1,683,606) which is not depreciated.

10. STOCKS

	2017	2016
	£	£
Raw materials and consumables	9,627,249	9,894,549
Finished goods and goods for resale	12,635,947	13,357,085
	22,263,196	23,251,634

11. DEBTORS

	2017	2016
	£	£
Trade debtors	7,626,611	9,310,384
Amounts owed by group undertakings	2,413,510	1,999,348
Prepayments and accrued income	752,920	1,155,447
Other taxation and social security receivable	273,055	517,745
	11,066,096	12,982,924

Amounts owed by group undertakings is comprised of amounts due from fellow subsidiary companies which are repayable on demand.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	6,375,238	5,017,936
Amounts owed to group undertakings	35,993,172	38,038,028
Other taxation and social security payable	299,918	307,930
Accruals and deferred income	1,345,042	1,572,341
	44,013,370	44,936,235

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

Amounts owed to group undertakings includes £33,419,564 of intercompany drawings held under the cash arrangements within the group. The remainder of the amount due to fellow subsidiary companies are determined on agreement with the subsidiary company.

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

	2017	2016
	£	£
Unsecured loan note	13,650,000	13,650,000

Interest on the unsecured loan due to Sensient Technologies Limited was £304,395 (at an interest rate of: 2.23%) for the year ended 31 December 2017. Interest for the year ended 31 December 2016 was £208,301 (at an interest rate of: 1.3828%).

The loan note represents an unsecured 2001 loan which will extend indefinitely in five year intervals unless notified by the lender upon 30 days' notice prior to any future maturity date (effective 31 December 2016). Quarterly interest is based on LIBOR +1%.

14. PROVISION FOR LIABILITIES AND CHARGES

The deferred tax provision comprises the following:

	2017	2016
	£	£
Fixed asset timing differences	883,543	629,977
Short term timing differences	(34,656)	(31,871)
Losses	(68,367)	(208,249)
R&D expenditure credit	(63,829)	(23,960)
	716,691	365,897

Deferred Taxation Movement for the Year

Amount recognised at the start of the year	365,897
Deferred tax charge in P&L for current year	142,035
Adjustment in respect of prior years	208,759
Balance at 31 December 2017	716,691

15. CALLED UP SHARE CAPITAL

	2017	2016
	£	£
Allotted, called up and fully paid 609,000 ordinary shares of £1 each	609,000	609,000

16. DIVIDENDS

The company has not paid dividends on ordinary shares (2016: £Nil) during the year.

17. 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, a company incorporated in Great Britain, and its financial statements are filed at Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017, the company was committed to making the following total payments in respect of buildings, plant and machinery operating leases:

	2017	2016
Leases which expire:	£	£
Within one year	299,213	361,956
Within 1 to 2 years	177,779	174,620
Within 2 to 5 years	231,699	314,381
	708,691	850,957

19. SHARE OPTIONS

Options over shares in the parent company, Sensient Technologies Corporation can be granted to senior executives. Gains made by employees on the exercise of share options totalled £18,473 (2016: £Nil)