POINTING CHEMICALS LIMITED

COMPANY NO. 2365064

REPORT OF THE DIRECTORS

AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

CONTENTS

POINTING CHEMICALS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 31 December 2003.

ACTIVITIES AND BUSINESS REVIEW

On 20 December 2000, the company's business was sold to The White Sea and Baltic Company Limited. From that date the company has not traded and the directors do not anticipate that trade will recommence.

RESULTS AND DIVIDENDS

During the year the profit on ordinary activities was £76,586 (2002: loss £254,873) after crediting taxation of £76,586 (2002 : £nil). The directors do not recommend the payment of a dividend.

DIRECTORS AND DIRECTORS' INTERESTS

At 31 December none of the directors had a beneficial interest in the shares of the company or any other UK Group Company. The directors who served during the year were: -

C. Lawlor
S. Rolfs

Other than as disclosed in the notes to the financial statements no director had a contract, or were materially interested in any significant contract, with the company at any time during the year.

POINTING CHEMICALS LIMITED

REPORT OF THE DIRECTORS - CONTINUED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Following the passing of an elective resolution to dispense with the annual appointment of auditors by the company, Ryecroft Glenton remain in office until otherwise determined.

Approved by the board of directors on 24th January 2005
and signed on their behalf by:

S. Rolfs
Director

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF POINTING CHEMICALS LIMITED

We have audited the financial statements of Pointing Chemicals Limited on pages 4 to 12 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention and 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 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 opinion

We conducted our audit in accordance with 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 affairs of the company as at 31 December 2003 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ryecroft Glenton

RYECROFT GLENTON
Chartered Accountants
Registered Auditor

32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

27 January 2005

POINTING CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
TURNOVER		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Distribution costs		-	-
Administrative expenses		-	(1,672)
OPERATING (LOSS/)PROFIT	2	-	(1,672)
(Loss)/profit on sale of the company's business	3	-	(250,000)
Interest receivable and similar income	4	-	(3,201)
Interest payable and similar charges		-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	(254,873)
Tax on loss on ordinary activities	6	76,586	-
RETAINED (LOSS)/PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR		76,586	(254,873)

There were no recognised gains or losses other than the profit for the year.

There were no acquisitions or discontinued operations during the year.

There is no material difference between the profit disclosed above and the result on an unmodified historical cost basis.

The notes on pages 7 to 12 form part of these financial statements.

POINTING CHEMICALS LIMITED

STATEMENT OF RESERVES

YEAR ENDED 31 DECEMBER 2003

	Profit and loss account £
At 1 January 2003	1,923,460
Retained profit for the year	76,586
At 31 December 2003	2,000,046

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £	2002 £
(Loss)/profit for the financial year	76,586	(254,873)
Opening equity shareholders' funds	1,935,460	2,190,333
Closing equity shareholders' funds	2,012,046	1,935,460

The notes on pages 7 to 12 form part of these financial statements.

POINTING CHEMICALS LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

	Notes	2003 £	2002 £
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	2,341,086	2,264,500
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	329,040	329,040
NET CURRENT ASSETS		2,012,046	1,935,460
TOTAL ASSETS LESS CURRENT LIABILITIES		2,012,046	1,935,460
CAPITAL AND RESERVES			
Called up share capital	9	12,000	12,000
Profit and loss account		2,000,046	1,923,460
EQUITY SHAREHOLDERS' FUNDS		2,012,046	1,935,460

Approved by the board of directors on 24th January 2005
and signed on their behalf by:

S. ROLFS
DIRECTOR

The notes on pages 7 to 12 form part of these financial statements.

POINTING CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Accounting convention and accounting standards

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption in financial reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a 100% subsidiary of a company preparing consolidated financial statements.

Pensions

The company participates in a defined benefit scheme, which requires contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Variations in pension cost, which are identified as a result of actuarial valuations, are spread over the average expected remaining working lives of employees.

Differences between the amounts funded and the amounts charged to the profit and loss account are shown as either provisions or prepayments in the balance sheet.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes only where the directors are of the opinion that it can be reasonably foreseen that such deferred taxation will be payable or recoverable in the future.

2. OPERATING (LOSS)/PROFIT

	2003	**2002**
	£	£
This is stated after including:		
Auditors' remuneration (charged to holding company)	1,050	1,000

3. (LOSS)/PROFIT ON SALE OF THE COMPANY'S BUSINESS

On the 20th December 2000 the business was sold to The White Sea and Baltic Company Ltd. Part of the sale price was contingent on achieving certain thresholds subsequent to the sale. The full amount of the sale price was recognised upon the sale. Subsequent to the 2002 year-end, confirmation was received from the auditors of The White Sea and Baltic Company Ltd that the threshold for the remaining portion of £250,000 was not met and hence the directors have written-off the remaining balance in the 2002 financial statements. Interest received on the final payment (note 4 - £28,322) became refundable.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	**2002**
	£	£
Bank interest received	-	87
Interest received from other debtor	-	25,034
Interest over paid from other debtor	-	(28,322)
	-	(3,201)

POINTING CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31 DECEMBER 2003

5. PENSIONS

The company participated in a funded defined benefit scheme for the benefit of certain employees of the company. The scheme's assets are independently administered by its trustees. The funding of the scheme is assessed in accordance with the advice of a professionally qualified actuary on the basis of triennial valuations. The most recent triennial valuation carried out on 31 March 2003 using the attained age method (the previous valuation used the projected unit method). The valuation excluded certain bonus payments made to employees of the group.

Information on the assumptions used and the results of the actuarial valuation is reported in the accounts of Pointing Limited.

No contributions (31 December 2002: £ Nil) were due to the scheme at the year-end.

The Scheme is contracted out of the State Earnings Related Pension scheme and is closed to new joiners. As the scheme is closed to new entrants, the service cost, calculated on the projected unit method, will be expected to rise over time as a percentage of the salaries of members as the average age of the remaining active members increases. It may, however, decrease in actual monetary terms as the active membership shrinks due to staff turnover.

Further actuarial valuations of the scheme were carried out by qualified independent actuaries at 31 December 2002 and 31 December 2003 for Financial Reporting Standard (FRS) No. 17 – "Retirement benefits" purposes. In these valuations, the defined benefit liabilities have been measured using the projected unit method and both the assets and liabilities include the value of pensions in payment, which are secured with insured annuities. FRS17 distinguishes between the "expected return on assets" and the "discount rate" used to assess the liabilities. This serves to increase the measured value of the liabilities and can require the disclosure of a deficit where other valuation methods would show the pension fund to be in balance. The actuaries were aware of the exclusion of certain bonus payments from the calculations but have not taken account of the potential increase in liabilities that would arise if a claim that they be included was successful.

The disclosures made below about the scheme assume that the company is ultimately responsible to meet its share of the balance of the cost of the scheme. Although the scheme is a defined benefit scheme, in the interest of reducing costs the individual company's share of the underlying assets and liabilities have not been identified. However, the directors believe that no charge would be levied on the company in the event of the principal employer having to make further contributions to the scheme.

FRS 17 does not require the inclusion of any amounts relating to the scheme within the company's balance sheet and statement of total recognised gains and losses.

FRS 17 disclosures for the scheme

The major assumptions used by the actuaries were:-	**At 31 December 2003**	**At 31 December 2002**	**At 31 December 2001**
Rate of increase in salaries	4.3%	3.8%	4.0%
Rate of increase in pensions in payment	2.8%	2.3%	2.5%
Discount rate	5.3%	5.4%	5.8%
Inflation assumption	2.8%	2.3%	2.5%

POINTING CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31 DECEMBER 2003

5. PENSIONS - CONTINUED

The assets in the scheme and the expected rate of return were:-

	Long–term Rate of Return Expected At 31/12/03	Value at 31/12/03 £ 000	Long–term Rate of Return Expected At 31/12/02	Value at 31/12/02 £ 000	Long–term Rate of Return Expected At 31/12/01	Value at 31/12/01 £ 000
Equities	8.0%	2,507	8.0%	2,242	8.0%	1,727
Bonds	4.5%	1,301	4.5%	1,181	4.8%	822
Other	3.5%	16	3.5%	23	6.0%	722
Total market value of assets		3,824		3,446		3,271
Present value of scheme liabilities		5,990		5,174		4,723
Gross Pension liability		(2,166)		(1,728)		(1,452)
Related deferred tax liability		650		518		436
Net pension liability		(1,516)		(1,210)		(1,016)

An analysis of the amount which would have been charged to operating profit is as follows:

	31 December 2003 £ 000	31 December 2002 £ 000
Current service cost	1	5
Past service cost	-	-
Total operating charge	1	5

An analysis of the amount which would have been credited to other financing costs is as follows:

	31 December 2003 £ 000	31 December 2002 £ 000
Expected return on pension scheme assets	233	216
Interest on pension scheme liabilities	(279)	(269)
Other finance costs	(46)	(53)

POINTING CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31 DECEMBER 2003

5. **PENSIONS - CONTINUED**

An analysis of the amount which would have been recognised in the statement of total recognised gains and losses is as follows:

	31 December 2003 £ 000	31 December 2002 £ 000
Actual less expected return on pension scheme assets	84	130
Experience gain/(losses) on the pension scheme liabilities	-	(6)
Change in assumptions underlying the present value of scheme liabilities	(475)	(348)
Actuarial losses recognised in the statement of recognised gains and losses	(391)	(224)

An analysis of the movement in deficit during the year would have been as follows:

	31 December 2003 £ 000	31 December 2002 £ 000
Deficit at beginning of the year	(1,728)	(1,452)
Current service cost	(1)	(5)
Contributions	1	6
Past service costs	-	-
Other finance costs	(46)	(53)
Actuarial gain/loss	(391)	(224)
Deficit in scheme at the end of the year	(2,166)	(1,728)

History of experience gains and losses

	2003 £ 000	2002 £ 000
Difference between the expected and actual return on scheme assets:		
Amount £ 000	84	130
Percentage of the scheme assets	2.2%	3.8%
Experience gains and losses on scheme liabilities		
Amount £ 000	-	(6)
Percentage of the scheme liabilities	-	(0.1)%
Total amount recognised in statement of recognised gains and losses		
Amount £ 000	(391)	(224)
Percentage of the scheme liabilities	(6.5)%	(4.3)%

POINTING CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31 DECEMBER 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge for the year

	2003 £	2002 £
UK corporation tax on profits at 30%	-	-
Current tax charge for the year (note 6b)	-	-
Amount due for group relief surrendered – prior years	(76,586)	-
Tax on losses on ordinary activities	(76,586)	-

b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £	2002 £
(Loss)/profit on ordinary activities before taxation	-	(254,873)
(Loss)/Profit on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2002: 30%)	-	(76,462)
Reversal of utilisation of tax losses	-	75,000
Expenses/(income) not deductible/(assessable) for tax purposes	-	8,917
Group relief surrendered/(claimed)	-	(7,455)
Current tax charge for the year (note 6a)	-	-

c) Factors that may affect future tax charges

The company has surrendered the benefit of tax losses to another company for a consideration that will be received in 2005. In prior years no value was ascribed to group relief received or surrendered.

Deferred tax assets of £nil (2002: £1,042) which represent tax losses are not recognised as, on the basis of available evidence, there will be no suitable profits which can be relieved by the losses.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Amounts owed by group undertakings	2,250,000	2,250,000
Amounts owed for group relief surrendered	76,586	-
Other debtors	14,500	14,500
	2,341,086	2,264,500

POINTING CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31 DECEMBER 2003

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Amounts owed to group undertakings	300,718	300,718
Other creditors	28,322	28,322
	329,040	329,040

9. SHARE CAPITAL

	31 December 2003		31 December 2002	
	No.	£	No.	£
Authorised				
Ordinary shares of £1 each	12,000	12,000	12,000	12,000
Issued, allotted and fully paid				
Ordinary shares of £1 each	12,000	12,000	12,000	12,000

10. ULTIMATE HOLDING COMPANY CONTROL

At the year end the company was a wholly owned subsidiary of Pointing Holdings Limited, whose pen ultimate holding company is Sensient Technologies (UK) Limited. The ultimate holding company is Sensient Technologies Corporation.

Pointing Holdings Limited and Sensient Technologies (UK) Limited are incorporated in Great Britain and registered in England and Wales. Their financial statements are filed at Companies House, Cardiff. Sensient Technologies Corporation is incorporated and registered in the United States of America. Its financial statements are filed at the Securities and Exchange Commission, Washington DC

11. RELATED PARTY TRANSACTIONS

The exemption granted by Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose transactions and balances with other group companies where 90% or more of the voting rights are controlled within the group has been used in preparing these accounts.

12. CONTINGENT LIABILITIES

The company has entered into a composite accounting agreement with other group companies, for the purposes of bank security. At 31 December 2003 the net draw down under the facilities by other group undertakings was £nil (2002 - £1,436,297). The directors believe that no liabilities will crystallise.

13. CAPITAL COMMITMENTS

The company had no capital commitments at either year end.

14. FINANCIAL COMMITMENTS

The company had no financial commitments under operating leases at either year-end.