

SENSIENT TECHNOLOGIES CORP

Form 11-K

June 27, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K**

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS  
PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

**ANNUAL REPORT PURSUANT TO 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2006

**TRANSITION REPORT PURSUANT TO 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: **1-7626**

A. Full title of the plan and address of the plan, if different from that of the issuer named below:  
**Sensient Technologies Corporation Retirement Employee Stock Ownership Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Sensient Technologies Corporation  
777 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202-5304  
(414) 271-6755**

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<u>Consent of Independent Registered Public Accounting Firm</u> <u>Consent of Independent Registered Public Accounting Firm</u>	
All schedules required by Section 2520.103.10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	
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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 AND  
REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Benefits Administrative Committee

Sensient Technologies Corporation Retirement Employee Stock Ownership Plan

We have audited the accompanying statement of net assets available for benefits of Sensient Technologies Corporation Retirement Employee Stock Ownership Plan (the Plan ) as of December 31, 2006, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006, and the changes in its net assets available for benefits for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst and Young, LLP

Milwaukee, Wisconsin

June 26, 2007

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Benefits Administrative Committee  
Sensient Technologies Corporation Retirement Employee Stock Ownership Plan  
Milwaukee, WI

We have audited the accompanying statement of net assets available for benefits of Sensient Technologies Corporation Retirement Employee Stock Ownership Plan (the Plan ) as of December 31, 2005. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B to the financial statements, the accompanying 2005 financial statements have been retrospectively adjusted for the adoption of FASB Staff Position (FSP) AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans.*

/s/ VIRCHOW, KRAUSE & COMPANY, LLP

Milwaukee, Wisconsin

May 30, 2006

(June 25, 2007 as to Notes B and C)

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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2006 AND 2005**

	2006	2005
<b>ASSETS:</b>		
Investments at fair value Interest in Sensient Technologies Corporation Master Defined Contribution Trust	\$ 41,644,324	\$ 33,826,143
Contributions receivable from Sensient Technologies Corporation	689,222	645,144
Net assets available for benefits at fair value	42,333,546	34,471,287
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	57,893	73,845
Net assets available for benefits	\$ 42,391,439	\$ 34,545,132

See notes to financial statements.

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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR  
THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006</b>
<b>ADDITIONS:</b>	
Sensient Technologies Corporation contributions	\$ 705,001
<b>DEDUCTIONS:</b>	
Withdrawals and distributions	(3,943,639)
Investment income Equity in net income of Sensient Technologies Corporation Master Defined Contribution Trust	11,056,578
Plan merger	28,367
Net additions	7,846,307
Net assets available for benefits: Beginning of year	34,545,132
End of year	\$ 42,391,439
See notes to financial statements.	

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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note A Description of the Plan:

The following description of the Sensient Technologies Corporation Retirement Employee Stock Ownership Plan (the Plan ) provides only general information. Participants should refer to the Plan agreement for a more comprehensive description of the Plan s provisions.

The Plan is a defined contribution plan covering substantially all domestic employees of Sensient Technologies Corporation (the Company ) eligible to participate in the Plan. The Plan is subject to the provisions of the Employee Retirement Income Securities Act of 1974, as amended ( ERISA ). The Company makes discretionary annual contributions to the Plan as determined annually by its Board of Directors. Participant contributions are not permitted under the Plan. Contributions become vested after five years of credited service with the Company or upon termination due to death or disability. Company contributions to the plan were \$705,001 for the year ended December 31, 2006, which included non-cash contributions of Company stock of approximately \$644,946.

The administration of the Plan is the responsibility of the Benefits Administrative Committee (the Committee ) which is appointed by the Finance Committee of the Company s Board of Directors. The assets of the Plan are maintained in a trust fund that is administered under a Master Trust agreement (as described in Note C) with Fidelity Management Trust Company (the Trustee ). The Trustee is responsible for maintaining the assets of the Plan and, generally, performing all other acts deemed necessary or proper to fulfill its responsibility as set forth in the Master Trust agreement pertaining to the Plan.

Plan assets may be invested in any type of investment that is legally permitted for employee retirement plans. Plan assets are invested primarily in common stock of the Company, mutual funds and fixed income funds. Participants have the option to receive dividends on the Company s common stock in the form of cash. Company contributions are invested in the Company common stock unless the participant meets the following age and service requirements and has elected to have a portion of their account invested in other funds. At age 35 with 5 years of service, participants may elect to have a portion of their account invested in the Fixed Income Fund, Balanced Fund and U.S. Equity Index Fund. Assets of the Fixed Income Fund are invested primarily in Treasury bills and notes; certificates of deposit; and other fixed income securities. Assets of the Balanced Fund are invested primarily in common stocks; preferred stocks; and bonds. Assets of the U.S. Equity Index Fund are invested primarily in S&P 500 company stocks to attempt to match the S&P 500 performance. Participants may revise their investment allocations daily.

The Plan does not allow participants to borrow funds from their account.

Amounts that have been forfeited in accordance with provisions of the Plan, serve to reduce Company contributions.

Forfeitures available to reduce the Company contribution were \$44,791 at December 31, 2006.

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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note A (continued):

Individual accounts are maintained by the Trustee for each Plan participant. Each participant's account is credited with the Company's contribution and an allocation of Plan income, and charged with withdrawals and an allocation of Plan losses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event of termination, participant accounts become fully vested.

Effective December 31, 2006, the Sensient Technologies Transition Retirement Plan was merged into the Plan and net assets of \$28,367 were transferred to the Plan. Participants of the Sensient Technologies Transition Retirement Plan were 100% vested in their account balances prior to merger and immediately became Participants in the Plan.

Note B Accounting Policies:

The financial statements of the Plan are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles. Assets of the Plan are stated at fair value.

Benefits are recorded when paid. Administrative expenses incurred by the Plan are paid by the Company on behalf of the Plan or from Plan assets as determined by the Committee.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

In December 2005, the Financial Accounting Standards Board ( FASB ) issued FASB Staff Position AAGINV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP ), which became effective for the Plan on December 31, 2006. The FSP requires that investment contracts held by a defined-contribution plan be reported at fair value. However, contract value is the relevant measurement criteria for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the statement of net assets available for benefits presents the fair value of the investment contracts within the net investment in Sensient Technologies Corporation Master Defined Contribution Trust with a separate line item to adjust from fair value to contract value. Prior year balances have been revised accordingly. The statement of changes in net assets available for benefits is prepared on a contract value basis.

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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note C Sensient Technologies Corporation Defined Contribution Master Trust:

The Plan's investments are held by the Sensient Technologies Corporation Defined Contribution Master Trust (the Master Trust) along with the investments of the Sensient Technologies Corporation Savings Plan. Use of the Master Trust permits the commingling of assets of various employee benefit plans for investment and administrative purposes. Although Plan assets are commingled, supporting records are maintained for the purpose of determining changes in each plan's undivided and specifically allocated interest in the Master Trust.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned.

Dividend income is recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

Quoted market prices are used to determine the fair value of marketable securities. Shares of registered investment companies or collective trusts are stated at quoted market prices or withdrawal value. Investment income, realized gains and losses, and unrealized appreciation and depreciation of investments in the Master Trust are allocated to each plan participating in the Master Trust based upon the relationship of the individual interest of each plan to the total of the individual interests of all plans participating in the Master Trust.

The fair value of the net assets of the Master Trust as of December 31, 2006 and 2005 is as follows:

	<b>2006</b>	<b>2005</b>
Sensient Technologies Corporation common stock*	\$ 53,362,163	\$ 42,828,560
Fixed income funds	14,493,107	15,243,016
Mutual funds	62,917,336	54,591,197
Net assets in Master Trust	\$ 130,772,606	\$ 112,662,773
Plan's investment in Master Trust	\$ 41,644,324	\$ 33,826,143
Plan's investment in Master Trust as a percent of total	31.84%	30.02%

\*Party-in-interest

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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note C (continued):

The net income of the Master Trust for the year ended December 31, 2006 is as follows:

	<b>2006</b>
Dividends on Sensient Technologies Corporation common stock*	\$ 1,310,568
Interest and other dividends	2,643,975
Net appreciation of investments based on quoted market prices	19,907,802
Net income of Master Trust	\$ 23,862,345
Plan's equity in net income of the Master Trust	\$ 11,056,578

\*Party-in-interest

The Master Trust invests in various securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

During the year ended December 31, 2006, net appreciation of the investments held by the Master Trust (including gains and losses on investments bought and sold, as well as held during the year) is as follows:

	<b>2006</b>
Sensient Technologies Corporation common stock*	\$ 15,368,135
Mutual Funds	4,539,667
Net appreciation in fair value of investments - Master Trust	\$ 19,907,802

\*Party-in-interest

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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note D Non-participant Directed Investments of the Plan:

The non-participant directed investments of the Plan held by the Master Trust are invested in Sensient Technologies Corporation common stock. Participant account balances, which are eligible to be diversified but remain in Sensient Technologies Corporation common stock, cannot be separately determined and are reported as non-participant directed investments. Information about the net assets and the significant components of the changes in net assets relating to non-participant directed net assets is as follows:

	<b>2006</b>	<b>2005</b>
Non-participant Directed Net Assets:		
Sensient Technologies Corporation Common Stock*	\$ 34,626,488	\$ 27,553,215
Contributions receivable from Sensient Technologies Corporation	644,946	602,211
 Non-participant directed net assets	 \$ 35,271,434	 \$ 28,155,426

	<b>2006</b>
Changes in Non-participant Directed Net Assets:	
Contributions	\$ 663,732
Dividends	816,142
Net appreciation	9,831,046
Plan merger (Note A)	2,839
Withdrawals and distributions	(2,654,130)
Transfers (from) to participant directed investments	(1,543,621)
	 \$ 7,116,008

\*Party-in-interest

Note E Income Tax Status:

The Plan has received a determination letter from the Internal Revenue Service dated June 27, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

Note F Benefits Payable:

As of December 31, 2006 and 2005 the Plan had no benefits payable to persons who elected to withdraw from participation in the earnings and operations of the Plan but had not yet been paid.

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**SENSIENT TECHNOLOGIES CORPORATION  
RETIREMENT EMPLOYEE STOCK OWNERSHIP PLAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note G Parties-in-Interest:

Certain Plan investments are managed and issued by the Trustee, the custodian of the Plan's investment assets and, therefore, some transactions qualify as party-in-interest transactions. The Company pays fees to the Trustee for investment management, recordkeeping, and other administrative services.

Note H Subsequent Event:

Effective January 1, 2007, the Plan was amended such that Company contributions for Plan years on or after January 1, 2007 become vested after three years of credited service with the Company. Company contributions made for Plan years beginning prior to January 1, 2007 continue to become vested after five years of credited service with the Company.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefits plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**Sensient Technologies Corporation Retirement Employee Stock Ownership Plan**

Date: June 27, 2007

By: /s/ John L. Hammond

Name: John L. Hammond

Title: Vice President, Secretary and General  
Counsel

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
Exhibit 23.1	Consent of Independent Registered Public Accounting Firm
Exhibit 23.2	Consent of Independent Registered Public Accounting Firm

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