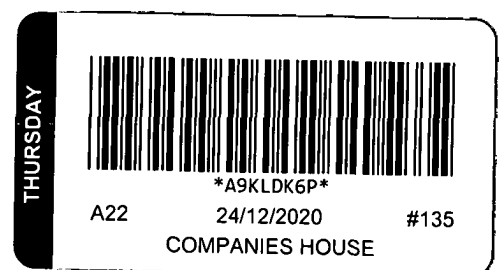


Company Registration No. 02647054

Sun Chemical Limited

Annual Report and Financial Statements

For the year ended 31 December 2019



Sun Chemical Limited

Annual report and financial statements for the year ended 2019

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Sun Chemical Limited

Annual report and financial statements for the year ended 2019

Officers and professional advisers

Directors

P Saunders
M Schoonenberg
S Foster
J Dench

Company Secretary

M Pearce

Registered Office

3 High View Road
South Normanton
Derbyshire
DE55 2DT

Bankers

Citibank
Canada Square
Canary Wharf
London
E14 5LB

Solicitors

Clifford Chance LLP
10 Upper Bank Street
Canary Wharf
London
E14 5JJ

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Sun Chemical Limited

Strategic report

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of the Company during the year was the manufacture and distribution of printing inks. The directors are satisfied with the results for the year in the light of current trading conditions.

Business review

The Company's profit for the year, after taxation, amounted to £2,315,000 (2018: profit £5,444,000).

Below are the Company's financial key performance indicators sales and gross margin.

As shown in the Company's income statement on page 10, the Company's year on year sales have increased by 1.9%. This was largely due to an increase in the advanced materials sector.

The gross profit margin is 18.3% (2018: 17.4%), an increase on the prior year due to a favourable mix of products sold offset by differing raw material outlook by business type, but with raw materials generally increasing across most product lines.

Within administrative expenses there are other costs relating to restructuring totalling £1,961,000 (2018: £2,444,000), see note 4.

There is a dividend income of nil (2018: £14,000,000) offset by the increase in sales and the increased other costs, predominately restructuring costs, this mostly explains the loss in 2019.

The Company's balance sheet on page 12 of the financial statements shows a decrease in net assets from £20,141,000 in 2018 to £13,103,000 in 2019, mainly due to the Company profit for the year of £2,315,000 and the net actuarial losses and associated deferred tax arising on the pension scheme liability of £9,353,000.

Principal risks and uncertainties

The directors consider that the financial risks relevant to the Company are:

State of economy

The weakness of the publishing/packaging sector of the UK economy has led to falling sales volumes. The Company's technical resources, market position and the benefits of its cost reduction programmes continues to put the business in a good position.

Credit risk

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made when there is a triggering event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk or liquidity risk with exposure spread over a large number of counterparties and customers or with other group companies who are able to repay these balances if required.

Foreign exchange Risk

Much of the Company's raw materials are sourced in Euro and the US Dollar, and although the Company does invoice some sales in Euro and the US Dollar, it is a net buyer of these currencies and is therefore exposed to changes in the Sterling exchange rate into the Euro and the US Dollar.

The Company's treasury activities are managed centrally.

Commercial risk

The directors consider that the primary commercial risk relevant to the Company is price volatility of commodity-based raw materials. The Company expects to cover this risk by entering into trading negotiations with its suppliers as part of its normal trading activities.

Sun Chemical Limited

Strategic report (continued)

Whilst it is not possible to predict the exact impact of Brexit on the UK economy, in the coming years, there will be uncertainties in the UK economy, with increased volatility expected in financial markets, as the detailed political and legal issues are worked out. Depreciation of sterling and fall in gilt yields which were experienced in the aftermath of the decision can have financial impact on the operations of the company. In addition any change in the trade relationships between Europe and UK could give rise to supply and cost issues along with export sales disruption. The company's management are constantly reviewing mitigations like pricing strategy, currency hedging, stock levels and latest available legal counsel to seek to minimise any adverse fall out.

Since the balance sheet date, the outbreak of the COVID-19 virus, declared a pandemic by the World Health Organisation on 11 March 2020, has given rise to material economic and financial uncertainties. This is considered to be a non-adjusting post balance sheet event for the Company. The impact has been and will continue to be considered by the Directors as set out on page 5.

Future developments

The directors will continue to look for opportunities to further improve operations and efficiencies across the Company to reduce costs and achieve acceptable levels of profitability.

Section 172(1) statement

This statement, which forms part of the Strategic Report, is intended to show how the Company's Directors have approached and met their responsibilities under section 172 Companies Act 2006 during the year.

As required by s172 of the UK Companies Act 2006, a Director of a Company must act in a way s/he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company'.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in a large organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to the employees of the Company.

The Directors recognises that such delegation needs to be much more than simple financial authorities and, in this section of the report, we have summarised our governance structure, which covers: the values and behaviours expected of our employees; the standards they must adhere to; how we engage with stakeholders; and how the Directors looks to ensure that we have a robust system of control and assurance processes.

The following paragraphs summarise how the Directors' fulfil their duties:

Engagement with suppliers, customers and others

The Company polices on engagement with stakeholders, including: customers; business partners; society and employees, can be found on the ultimate parent DIC Corporation website at <https://www.dic-global.com/en/csr/stakeholder/>.

Engaging with our employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and regular bulletins on the Company's performance. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Sun Chemical Limited

Strategic report (continued)

Maintaining a reputation for high standards of business conduct

Annually employees must complete the internal training on Ethics and Legal Compliance.

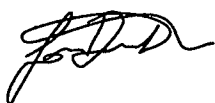
Key decisions in the year

Reviewing the defined benefit pension actuarial valuation, the Directors continue to fund the defined benefit pension scheme.

Subsequent events

Since the balance sheet date, the outbreak of the COVID-19 virus, declared a pandemic by the World Health Organisation on 11 March 2020, has given rise to material economic and financial uncertainties. This is considered to be a non-adjusting post balance sheet event for the Company. The impact has been and will continue to be considered by the Directors as set out on page 5.

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



J Dench

Director

22 December 2020

Sun Chemical Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2019.

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report. This included a review of the development of the Company during the year, financial risk management policies, principal risks and uncertainties, future developments and subsequent events.

Directors

The directors, who served throughout the year and until the date of this report, were as follows:

J Law (resigned on 22 April 2019)

P Saunders (appointed on 22 April 2019)

C Heynes (resigned on 31 January 2020)

S Foster

M Schoonenberg

J Dench (appointed on 1 February 2020)

Dividends

A dividend on the 8.5% cumulative preference shares, amounting to 8.5p (2018: 8.5p) per share, £9,000 (2018: £9,000) was provided for during the year and has been shown within net finance charges. No dividend was paid or proposed during the year and after the year end (2018: nil).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Report.

The Company meets its day-to-day working capital requirements through financing facilities from a group company and is reliant upon the support of the wider Group in order to meet its obligations as they fall due. The Company has received a letter from its intermediate parent company stating that these facilities will be in place for a period of at least 12 months from the signing of these accounts to ensure the company is able to continue trading. The directors have assessed the ability of the intermediate parent to provide this support.

The Company holds a £75 million uncommitted loan facility which was entered into on 30 October 1997 and is due on 30 October 2022 with Sun Chemical B.V. a subsidiary of Sun Chemical Group Coöperatief U.A. The Company's projections, taking into account reasonably possible changes in trading performances, as well as the signed letter of deferral of the utilised facility and other amounts owed to group undertakings stating that £71,674,000 will not be due within one year from the signing of the financial statements mean that the Company should be able to operate within the level of its current facility.

As at 31 December 2019, the Company has net current assets of £8,769,000 and it has net assets of £13,103,000. As a consequence, and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Since the balance sheet date, the outbreak of the COVID-19 virus, declared a pandemic by the World Health Organisation on 11 March 2020, has given rise to material economic and financial uncertainties. This is considered to be a non-adjusting post balance sheet event for the Company. Sun Chemical Limited is classified as key supplier to essential businesses due to the varied markets that it supplies, and as such, we are not seeing a material impact to our supply chain or sales and profits as a result of the Covid19 global pandemic. From a supply chain perspective, those products which are sourced from outside the UK have not seen any disruption, and our UK manufacturing plants have remained fully operational at all times, with no issues relating to raw material availability. Some of our markets did see a temporary dip through Q2 and early Q3, but are returning to pre-pandemic levels in Q4, and we remain in line with our forecasts provided earlier in 2020.

Sun Chemical Limited

Directors' report (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career developments and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and regular bulletins on the Company's performance. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Research and development

The Company continued to pursue a vigorous programme of research and development aimed at the improvement of existing products and the introduction of new ones.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Auditor


Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



J Dench
Director

22 December 2020

Sun Chemical Limited

Directors' responsibilities statement

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Sun Chemical Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sun Chemical Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Other Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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.

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Sun Chemical 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Respective responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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

Report on other legal and regulatory requirements

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

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Sun Chemical Limited (continued)

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.

A handwritten signature in black ink that reads "David Crawford." The signature is written in a cursive, flowing style.

David Crawford (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
22 December 2020

Sun Chemical Limited

Income Statement For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	1, 3	167,648	164,518
Cost of sales		(136,941)	(135,967)
Gross profit		30,707	28,551
Distribution costs		(12,374)	(13,483)
Administrative expenses	4	(23,616)	(24,723)
Operating loss		(5,283)	(9,655)
Profit on disposal of tangible fixed assets		(46)	1,703
Profit on disposal of fixed asset investments		-	39
Dividend income		-	14,000
(Loss) / profit on ordinary activities before finance charges		(5,329)	6,087
Interest receivable and similar income	5	13,424	12,531
Interest payable and similar charges	6	(14,449)	(13,555)
(Loss) / profit before taxation	7	(6,354)	5,063
Tax on (loss) / profit	9	8,669	381
Profit for the financial year		2,315	5,444

All amounts are derived from continuing operations.

The accompanying notes form an integral part of this income statement.

Sun Chemical Limited

Statement of other comprehensive income For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Profit for the financial year		2,315	5,444
		<u>2,315</u>	<u>5,444</u>
Actuarial gain/(loss) relating to pension scheme – excluding the effect from change of indexation assumption	23	46,492	(39,757)
Actuarial (loss)/gain from the effect of change of indexation assumption on pension liability	23	(55,845)	37,518
Deferred tax attributable to actuarial losses	15, 17	-	(1,489)
		<u>(7,038)</u>	<u>1,716</u>
Total comprehensive (expense) / income		(7,038)	1,716

Sun Chemical Limited

Balance sheet As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	9,606	11,558
Tangible assets	12	40,916	37,900
Investments	13	14,815	14,815
Deferred tax asset	15	-	-
Pension asset	23	11,605	8,426
		<u>76,942</u>	<u>72,699</u>
Current assets			
Stocks	14	26,592	23,345
Debtors	15	23,993	22,855
		<u>50,585</u>	<u>46,200</u>
Creditors: amounts falling due within one year	16	(41,816)	(45,907)
Net current assets		<u>8,769</u>	<u>293</u>
Total assets less current liabilities		<u>85,711</u>	<u>72,992</u>
Creditors: amounts falling due after more than one year	17	(71,979)	(52,057)
Provisions for liabilities	18	(629)	(794)
Pension liability	23	-	-
Net assets		<u>13,103</u>	<u>20,141</u>
Capital and reserves			
Called up share capital	20	11,500	11,500
Share premium account		142,900	142,900
Capital contribution		171,250	171,250
Profit and loss account		(312,547)	(305,509)
Shareholders' funds		<u>13,103</u>	<u>20,141</u>

These financial statements of Sun Chemical Limited (registered number 02647054) on pages 10 to 33 were approved and authorised for issue by the Board of Directors on 22 December 2020.

Signed on behalf of the Board of Directors



J Dench
Director

Sun Chemical Limited

Statement of changes in equity For the year ended 31 December 2019

	Notes	Called up share capital £'000	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2019		11,500	142,900	171,250	(305,509)	20,141
Profit for the financial year		-	-	-	2,315	2,315
Other comprehensive (expense) for the period	23	-	-	-	(9,353)	(9,353)
Total comprehensive (expense) for the period		-	-	-	(7,038)	(7,038)
At 31 December 2019		<u>11,500</u>	<u>142,900</u>	<u>171,250</u>	<u>(312,547)</u>	<u>13,103</u>

	Notes	Called up share capital £'000	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2018		11,500	142,900	171,250	(307,225)	18,425
Profit for the financial year		-	-	-	5,444	5,444
Other comprehensive (expense) for the period	23	-	-	-	(3,728)	(3,728)
Total comprehensive income for the period		-	-	-	1,716	1,716
At 31 December 2018		<u>11,500</u>	<u>142,900</u>	<u>171,250</u>	<u>(305,509)</u>	<u>20,141</u>

Sun Chemical Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies

Sun Chemical Limited (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

Basis of preparing the financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The principal accounting policies adopted are described below.

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Financial reporting standard 102 – reduced disclosure exemptions

The Company meets the definition of a qualifying entity under FRS 102 and therefore has taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent DIC Corporation which may be obtained from its registered office DIC (Japan) Inc., DIC Building, 7-20 Nihonbashi, 3-Chome, Chuo-Ku, Tokyo 103, Japan. Exemptions have been taken in these separate Company financial statements in relation to statement of financial position, presentation of a cash flow statement, financial statement presentation, other financial instruments, share-based payment and disclosure of related parties.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 12 Other Financial Instruments paragraph 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7

Group financial statements

The company has taken advantage of the exemptions granted under s400 of the Companies Act 2006 not to prepare consolidated financial statements for the group on the grounds that it is a wholly owned subsidiary and its immediate parent company is established under the law of an EEA state.

Going concern

The current economic conditions create some uncertainty, particularly over the level of demand for the Company's products. The exchange rate fluctuations between Sterling and the Euro and US Dollar can adversely impact the Company's cost of raw materials.

The Company meet its day-to-day working capital requirements through financing facilities from a group company and is reliant upon the support of the wider Group in order to meet its obligations as they fall due. The Company has received a letter from its intermediate parent company stating that these facilities will be in place for a period of at least 12 months from the signing of these accounts to ensure the company is able to continue trading. The directors have assessed the ability of the intermediate parent to provide this support.

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Going concern

The Company holds a £75 million uncommitted loan facility which was entered into on 30 October 1997 and is due on 30 October 2022 with Sun Chemical B.V. a subsidiary of Sun Chemical Group Cooperatief U.A.. The Company's projections, taking into account possible changes in trading performances, as well as the signed letter of deferral of the utilised facility and other amounts owed to group undertakings stating that £71,674,000 will not be due within one year from the signing of the financial statements mean that the Company should be able to operate within the level of its current facility.

As at 31 December 2019, the Company is in a position to support its net current assets of £8,769,000 and it has net assets of £13,103,000. As a consequence, and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Since the balance sheet date, the outbreak of the COVID-19 virus, declared a pandemic by the World Health Organisation on 11 March 2020, has given rise to material economic and financial uncertainties. This is considered to be a non-adjusting post balance sheet event for the Company. Sun Chemical Limited is classified as key supplier to essential businesses due to the varied markets that it supplies, and as such, we are not seeing a material impact to our supply chain or sales and profits as a result of the Covid19 global pandemic. From a supply chain perspective, those products which are sourced from outside the UK have not seen any disruption, and our UK manufacturing plants have remained fully operational at all times, with no issues relating to raw material availability. Some of our markets did see a temporary dip through Q2 and early Q3, but are returning to pre-pandemic levels in Q4, and we remain in line with our forecasts provided earlier in 2020. The impact has been and will continue to be considered by the Directors as set out on page 5.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is between 10-20 years. Provision is made for any impairment.

Intangible assets

Intangible assets are included at cost and depreciated in equal annual instalments over a period of five years which is their estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in course of construction, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Freehold and leasehold property	- 30-40 years (freehold), the shorter of lease term or useful economic life (leasehold)
Plant and equipment	- 3-11 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

In the Company balance sheet fixed assets investments are shown at cost less provision for impairment.

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. All exchange differences are included in the profit and loss account.

Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are based on:

- | | |
|-------------------------------------|--|
| Raw materials | - purchase cost (on a first-in, first-out basis) including transport; and |
| Work in progress and finished goods | - cost of direct materials and labour plus a proportion of manufacturing overheads based on normal levels of activity. |

Net realisable value is based on estimated selling price, less any further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving or defective items where appropriate.

Finance costs

Finance costs of debts are recognised in the profit and loss account over the term of such instrument at a constant rate on the carrying amount. Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the assets are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial instruments – Financial assets and liabilities

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Cash

The Company is part of a cash pooling account whereby the balance is cleared to nil each day with the corresponding amount adjusting the inter-company current account balance.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net (liabilities)/assets on the face of the balance sheet.

Regular valuations are prepared by an independent professionally qualified actuary. These determine the level of contributions required to fund the benefits set out in the rules of the plans and allow for the periodic increase of pensions in payment. The regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to operating profit in the year.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on all 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 tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Turnover is normally recognised upon delivering the products or provision of services. However, some customers are traded with on a consignment stock arrangement and invoices are raised on the basis of monthly product usage.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Leasing

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Cash flow statement

The Company has taken advantage of the exemption granted under Financial Reporting Standards (FRS) 102 Section 7 'Cash Flow Statements' not to publish a cash flow statement on the grounds that it is a wholly-owned subsidiary of DIC Corporation (DIC), its ultimate parent company. DIC produces consolidated financial statements, which contain a cash flow statement and are publicly available.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, 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.

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.

Management do not believe there are any key estimates impacting the company.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Defined benefit obligations

The company operates a defined benefit retirement pension scheme for its employees. Pension scheme assets are held in trust separately from the assets of the company. The costs of these arrangements are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuations of this plan were undertaken as at 5 April 2017 and the results of these valuations have been updated to 31 December 2019. The key assumptions used in the valuation are detailed in note 23. The pension scheme asset is £11,605k (2018: £8,426k).

3. Analysis of turnover and profits between activities and markets

All turnover and profits are derived from printing ink and services to art graphic industry and are originated from the UK. An analysis of turnover and profits between markets and geographical destination has not been given because, in the opinion of the directors, this disclosure would be seriously prejudicial to the Company.

4. Administrative expenses

Within administrative expenses there are redundancies and other costs relating to restructuring totalling £1,961,000 (2018: £2,444,000).

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

5. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable and similar income:		
Expected return on pension plan assets (note 23)	13,424	12,531
	<u>13,424</u>	<u>12,531</u>

6. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable to other group undertakings	(1,328)	(1,039)
Interest payable from overdrafts	(89)	(91)
Interest cost – pension scheme (note 23)	(13,023)	(12,416)
Dividend payable on 8.5% cumulative redeemable preference shares	(9)	(9)
	<u>(14,449)</u>	<u>(13,555)</u>

7. Profit on ordinary activities before taxation

This is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation		
- owned assets	4,237	3,897
Amortisation of goodwill - Administrative expenses	2,993	2,993
Amortisation of intangibles - Administrative expenses	59	111
Operating lease rentals		
- plant and equipment	1,261	1,237
- land and buildings	1,502	1,535
Research and development expenditure	8,274	7,840
Recharge of European management costs	(7,773)	(7,778)
Foreign exchange – net	239	3
Cost of stock recognised as an expense	<u>106,446</u>	<u>103,610</u>

The analysis of the auditor's remuneration is as follows:

	2019 £'000	2018 £'000
Fee payable to the Company's auditor for the audit of the Company's annual financial statements	114	121
Audit-related assurance services	<u>25</u>	<u>25</u>
Total audit fees	<u>139</u>	<u>146</u>

Notes to the financial statements (continued)
For the year ended 31 December 2019

8. Directors and employees

The monthly average number of employees (including executive directors and employees in subsidiary undertakings) during the year was:

	2019	2018
	No.	No.
Production	462	472
Sales and distribution	102	101
Administration	88	88
Technical service	59	56
	<u>711</u>	<u>717</u>

The aggregated remuneration comprised:

	2019	2018
	£'000	£'000
Wages and salaries	30,904	30,148
Social security costs	3,015	2,850
Pension costs – defined benefit (note 23)	1,108	6,472
Pension costs – non defined benefit	3,146	2,980
	<u>38,173</u>	<u>42,450</u>

The staff costs include remuneration in respect of directors of the Company (number of directors in 2019: 4 (2018: 4)), as follows:

	2019	2018
	£'000	£'000
Emoluments	<u>593</u>	<u>487</u>

Remuneration in respect of the highest paid director is as follows:

	2019	2018
	£'000	£'000
Emoluments	<u>176</u>	<u>209</u>

Total pension costs paid for directors of the Company at year end was £22,000 (2018: £27,000). The highest paid director is a member of the defined contribution pension scheme and there is no accrued entitlement for the director under that scheme.

During the year two directors (2018: two) participated in the defined benefit pension scheme. The scheme was closed to all future accrual effectively from 5 April 2009.

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

9. Tax charge on profit on ordinary activities

(i) Analysis of tax charge on ordinary activities

	2019 £'000	2018 £'000
Current tax:		
United Kingdom corporation tax at 19.00% (2018: 19.00%)	2,587	-
Adjustment in respect of prior years	6,082	-
Total current tax	8,669	-
Deferred tax:		
Accelerated capital allowances	-	-
Other timing differences	-	381
Total deferred tax	-	381
Tax on profit on ordinary activities	8,669	381

(ii) Factors affecting tax charge for the current year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%). The differences are reconciled below:

	2019 £'000	2018 £'000
Profit / (loss) on ordinary activities before tax	(6,354)	5,063
Loss on ordinary activities multiplied by standard rate of corporation tax of 19.00% (2018: 19.00%)	(1,207)	962
Non-deductible expenditure	31	2,805
Non-qualifying depreciation	192	192
Losses carried forward	282	(1,447)
Group relief not paid for	2,603	(879)
Group relief paid	8,669	
Deferred tax not provided	(2,470)	(1,821)
Non-deductible goodwill	569	569
Total tax for the year	8,669	381

During the year commencing 1 January 2020, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the year by £2,375k. This is primarily due to the expected employer contributions to the pension scheme.

There is no expiry date on timing differences, unused tax losses or tax credits.

10. Dividends accrued on preference shares

	2019 £'000	2018 £'000
Non-equity shares:		
Appropriations of profit in respect of 8.5% cumulative redeemable preference shares (2018: 8.5%)	9	9

Dividends on the Company's cumulative redeemable preference shares were £180,000 in arrears at 31 December 2019 (2018: £171,000). This has been recorded within creditors falling due after more than one year.

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11. Intangibles assets

	2019 £'000	2018 £'000
Goodwill	8,550	11,543
Intangible assets	1,056	15
	<u>9,606</u>	<u>11,558</u>

Goodwill

	£'000
Cost	
At 1 January and 31 December 2019	65,594
Amortisation	
At 1 January 2019	54,051
Charge in the year	2,993
At 31 December 2019	<u>57,044</u>
Net book value	
At 31 December 2019	<u>8,550</u>
At 31 December 2018	<u>11,543</u>

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is between 10-20 years.

Intangible assets

	£'000
Cost	
At 1 January 2019	555
Additions in the year	1,100
At 31 December 2019	<u>1,655</u>
Amortisation	
At 1 January 2019	540
Charge in the year	59
At 31 December 2019	<u>599</u>
Net book value	
At 31 December 2019	<u>1,056</u>
At 31 December 2018	<u>15</u>

The intangible assets amount of £537,000 relates to the acquisition cost of a customer list from a related entity within the ultimate parent company's group. The cost will be written off over the period of 5 years from December 2013, its estimated useful economic life.

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11. Intangibles assets (continued)

The intangible assets amount of £18,000 relates to the acquisition cost of a customer list from a related entity within the ultimate parent company's group. The cost will be written off over the period of 5 years from March 2018, its estimated useful economic life. The intangible assets amount of £1,100,000 relates to the acquisition cost of a customer list from a related entity within the ultimate parent company's group. The cost will be written off over the period of 5 years from September 2019, its estimated useful economic life.

12. Tangible fixed assets

	Freehold and leasehold property £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost				
At 1 January 2019	32,051	31,456	2,525	66,032
Additions	-	-	7,582	7,582
Disposals	(790)	(1,867)	-	(2,657)
Transfers	1,011	4,614	(5,625)	-
At 31 December 2019	32,272	34,203	4,482	70,957
Depreciation				
At 1 January 2019	13,410	14,722	-	28,132
Charge for the year	1,012	3,225	-	4,237
Disposals	(775)	(1,553)	-	(2,328)
At 31 December 2019	13,647	16,394	-	30,041
Net book value				
At 31 December 2019	18,625	17,809	4,482	40,916
At 31 December 2018	18,641	16,734	2,525	37,900

Included within the freehold property is land of £5,040,000 (2018: £5,040,000) which is not depreciated.

13. Fixed asset investments

	2019 £'000	2018 £'000
Subsidiary undertakings	14,815	14,815
	<u>14,815</u>	<u>14,815</u>

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

13. Fixed asset investments (continued)

Investments in subsidiary and associated undertakings:

	Shares in subsidiary and associated undertakings £'000
Cost	
At 1 January 2019	14,815
At 31 December 2019	14,815
Net book value	
At 31 December 2019	14,815
At 31 December 2018	14,815

At 31 December 2019, the Company have investments in the following subsidiary and associated undertakings, which principally affected the results or net assets of the Company.

Shares held by the Company	Country of registration	Proportion of ordinary share held	Principal activity
Subsidiary undertakings			
ECG Holdings (UK) Limited**	England and Wales	100%	Holding company
Sun Branding Solutions Limited**	England and Wales	100%*	Graphic reproduction & design
Parker Williams Design Limited**	England and Wales	100%*	Graphic reproduction & design
Sun Branding Solutions (India) Private Limited***	India	99%*	Graphic reproduction & design

*Indirectly held by Sun Chemical Limited

Registered office:

**Albion Mills, Albion Road, Greengates, Bradford, West Yorkshire, BD10 9TQ

***Sathak Centre, 4th Floor, New No. 4, Nungambakkam High Road, Chennai- 600034, Tamil Nadu, India

14. Stocks

	2019 £'000	2018 £'000
Raw materials	9,350	8,294
Work in progress	130	136
Finished goods and goods for resale	17,112	14,915
	<u>26,592</u>	<u>23,345</u>

There are no material differences between the balance sheet value of stocks and their replacement cost.

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

15. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	16,431	17,004
Amounts owed by group undertakings*	5,920	3,369
Other debtors	252	1,276
Prepayments and accrued income	1,390	1,206
	<u>23,993</u>	<u>22,855</u>
Total debtors	<u>23,993</u>	<u>22,855</u>

* The amounts owed by group undertakings are unsecured and interest free debtors. The debtor is due for repayment in Jan-Mar 2020.

16. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	7,051	9,151
Amounts owed to group undertakings		
- Trade related*	17,584	30,005
- Current accounts**	10,584	486
- Accrued interest on interest bearing loans	192	79
Social security costs and other taxes	1,267	1,128
Other creditors	1,167	1,150
Accruals and deferred income	3,971	3,907
Overdraft	-	1
	<u>41,816</u>	<u>45,907</u>

* The amounts owed to group undertakings are unsecured and interest free creditors. The creditor is due for repayment in Jan-Mar 2020.

** The amounts owed to group undertaking are unsecured and interest bearing current accounts, at the Overnight rate or 1 month Interbank Offered Rate as published in London interbank market "LIBOR". The current account is due for repayment in 2020.

17. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings:		
- Trade related*	10,000	10,000
- Interest-bearing loans**	35,674	18,674
- Deferred current accounts***	26,000	23,000
8.5% cumulative preference shares****	100	100
Accruals and deferred income	205	283
	<u>71,979</u>	<u>52,057</u>
Total creditors	<u>71,979</u>	<u>52,057</u>

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

17. Creditors: amounts falling due after more than one year (continued)

- * The amounts owed to group undertakings are unsecured and interest free creditors. The creditor is due for repayment in Jan-Mar 2021.
- ** The amounts owed to group undertakings are unsecured and interest-bearing loans to Sun Chemical B.V. at a rate of 6.75% (2018: 4.90%). The loan is due for repayment in October 2021.
- ***The amounts owed to group undertaking are unsecured and interest bearing current accounts, at the Overnight rate or 1 month Interbank Offered Rate as published in London interbank market "LIBOR". The current account is due for repayment in October 2021.
- ****The entitlement and rights attached to 8.5% cumulative redeemable preference shares are stated in note 20.

18. Provision for liabilities

	Onerous lease provision £'000
At 1 January 2019	794
Provided for	529
Utilised in the year	(694)
	<hr/>
At 31 December 2019	629
	<hr/>

The provision for onerous lease costs consists mostly of provisions for vacant leased properties which were vacated following reorganisation of the Company's operations. The provisions for vacant leased properties contracts are until 2021.

19. Deferred taxation

Deferred taxation provided and not provided in the financial statements is set out below. The amounts unprovided represent amounts that are not able to be recognised due to uncertainty of sufficient future taxable profits and are calculated using a tax rate of 17% (2018: 17%) for the Company.

	Amount provided		Amount unprovided	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Pension	3,112	1,432	-	-
Accelerated capital allowance	-	-	5,457	4,161
Other timing differences	-	-	4,882	2,944
Corporation tax losses	(3,112)	(1,432)	10,284	8,850
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	-	-	20,623	15,955
	<hr/>	<hr/>	<hr/>	<hr/>

On 26 October 2015, the Finance (No.2) Act 2015 was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax to 17% from 1 April 2020. In the March 2020 Budget the reduction in the corporation tax rate was withdrawn and it will now stay at 19%. Accordingly a rate of 17% has been applied when calculating deferred tax assets and liabilities as at 31 December 2019. If the amended tax rate had been used, the deferred tax assets and liabilities would have been £2,426k higher

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

20. Called up share capital

	2019 £'000	2018 £'000
Equity share capital:		
Authorised		
19,900,000 ordinary shares of £1 each	19,900	19,900
	<u>19,900</u>	<u>19,900</u>
Allotted, called up and fully paid		
11,500,005 ordinary shares of £1 each	11,500	11,500
	<u>11,500</u>	<u>11,500</u>
Preference shares:		
Authorised		
100,000 8.5% cumulative redeemable preference shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100,000 8.5% cumulative redeemable preference shares of £1 each	100	100
	<u>100</u>	<u>100</u>

The redeemable preference shares are presented as a liability (see note 17) and accordingly are excluded from called-up share capital in the balance sheet.

The 8.5% redeemable preference shares carry a cumulative entitlement to dividend at a rate of 8.5p per shares per annum payable in priority to dividends on any other class of share.

Holders of the preference shares have the right to vote on resolutions for the winding-up of the Company or on a resolution affecting the rights attached to the shares. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1,000 per share together with any arrears of dividend. There is no premium payable on redemption.

The preference shares are open ended, no given start/finish dates. Preference shares are redeemed at the option of the shareholders only. There is no premium payable on redemption.

Notes to the financial statements (continued)
For the year ended 31 December 2019

21. Leasing commitments

An entity shall disclose particulars and the total amount of any financial commitments, guarantees and contingencies that are not included in the balance sheet. An indication of the nature and form of any valuable security given by the company in respect of such commitments, guarantees and contingencies must also be given.

Future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings 2019 £'000	Other 2019 £'000	Land and buildings 2018 £'000	Other 2018 £'000
Not later than one year	1,649	534	1,798	429
After one year but not more than five years	4,603	754	5,320	481
After five years	2,109	-	3,041	-
	<u>8,361</u>	<u>1,288</u>	<u>10,159</u>	<u>910</u>

22. Capital commitments

At the year-end, capital commitments were as follows:

	2019 £'000	2018 £'000
Capital expenditure contracted but not provided for	<u>321</u>	<u>248</u>

23. Pension commitments

Defined contribution schemes

The Company operates three defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension charge represents contributions payable by the Company to the funds and amounted to £3,104,000 (2018: £2,948,000). Contributions payable to the fund at the year-end included in creditors were £nil (2018: £nil).

Defined benefit scheme

The Company operates a defined benefit scheme (Sun Chemical Limited Pension Scheme) which has been closed to new members and all future accrual with effect from 5 April 2009.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 5 April 2017 and updated to 31 December 2019 by a qualified actuary. The major assumptions used by the actuary were:

Sun Chemical Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

23. Pension commitments (continued)

	2019	2018	2017
	%	%	%
Discount rate	1.98	2.85	2.50
RPI Inflation	2.80	3.10	3.10
CPI Inflation	1.80	2.00	2.00
Deferred revaluations	1.80	2.00	2.00
Pension increases			
- RPI to a maximum of 5%	2.70	3.00	3.00
- RPI to a maximum of 2.5%	3.10	2.20	2.20
- RPI to a minimum of 3% and maximum of 5%	3.40	3.60	3.60
Rate of increase in salaries	2.0% pa	2.0% pa	2.0% pa
Expected return on scheme assets	N/A	N/A	N/A

Post retirement mortality

The post retirement mortality assumption is based on the SAPS S2 All Lives tables with an allowance for future mortality improvements in line with CMI 2017 projection factors and allowing for a long-term rate of future improvements of 1.25% per annum.

During the year ended 31 December 2019, the Company paid contributions of £12,538,000 (2018: £23,540,000). The Company has closed the scheme to all future accrual with effect from 5 April 2009. The contribution rates for the following years will be based on the agreed rates with the Pension Trustees.

The FRS 102 information below is based upon the market value of assets as at 31 December 2019 and accurate membership data as at the most recent valuation.

The fair value of the assets in the scheme, the present value of the liabilities in the scheme at the balance sheet date were:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Equities	292,165	170,748	164,912	213,633	175,659
Bonds	298,429	204,580	216,547	157,924	145,039
Property	-	13,527	12,930	18,803	20,072
Other	(78,239)	70,402	85,649	62,710	25,149
Secured pensions in payment	14,628	16,369	19,609	23,392	22,556
Total fair value of assets	526,983	475,626	499,647	476,462	388,475
Present value of scheme liabilities	(515,378)	(467,200)	(506,165)	(515,647)	(430,691)
Net pension asset / (liability)	11,605	8,426	(6,518)	(39,185)	(42,216)

The Other investments category in the table above includes £6m of cash, £7m of derivatives and (£91m) of repurchase agreements.

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Notes to the financial statements (continued) For the year ended 31 December 2019

23. Pension commitments (continued)

History of experience gains and losses:

	2019 FRS 102	2018 FRS 102	2017 FRS102	2016 FRS 102	2015 FRS 102
Losses and gains on scheme assets (£'000)	47,193	(39,757)	17,222	78,089	(13,798)
Percentage of scheme assets	9%	(8%)	3%	16%	(4%)
Gains and (losses) on scheme liabilities (£'000)	(55,845)	37,518	4,447	(84,724)	20,317
Percentage of scheme liabilities	(11%)	8%	9%	(16%)	(2%)
Total amount recognised in Statement of Comprehensive Income (£'000)	(8,652)	(2,239)	21,669	(6,635)	6,519
Percentage of scheme liabilities	2%	5%	(4%)	1%	(2%)

Analysis of the defined benefit cost for the year ended 31 December 2019 and 31 December 2018 were as follows:

	2019 £'000	2018 £'000
Current service cost	1,108	1,131
Past service cost	-	5,341
Total service cost	<u>1,108</u>	<u>6,472</u>

Analysis of amounts included as other finance charges (net):

	2019 £'000	2018 £'000
Interest income on pension scheme assets	13,424	12,531
Interest expense on pension scheme liabilities	(13,023)	(12,416)
Net other finance cost	<u>401</u>	<u>115</u>

Analysis of amounts recognised in the statement of other comprehensive income (OCI):

	2019 £'000	2018 £'000
Gains / (losses) on pension scheme assets	47,193	(39,757)
(Losses) arising on the scheme liabilities	(55,845)	37,518
(Losses) / gains recognised in statement of other comprehensive income	<u>(8,652)</u>	<u>(2,239)</u>

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Notes to the financial statements (continued) For the year ended 31 December 2019

23. Pension commitments (continued)

Movements in deficit during the year:

	2019 £'000	2018 £'000
Deficit in scheme at beginning of year	8,426	(6,518)
Movement in year:		
Current service cost	(1,108)	(1,131)
Past service cost	-	(5,341)
Contributions	12,538	23,540
Other finance income	401	115
Actuarial (loss)	(8,652)	(2,239)
	<u>11,605</u>	<u>8,426</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 102 is £82,406,000 (2018: £73,754,000).

The estimated amounts of contributions expected to be paid to the scheme during the 2020 financial year is £12,500,000.

	2019 £'000	2018 £'000
Change in benefit obligation		
Benefit obligation at beginning of year	467,200	506,165
Service cost	1,108	1,131
Past service cost	-	5,341
Interest cost	13,023	12,416
Actuarial losses from changes in assumptions	55,845	(37,518)
Benefits paid	(21,798)	(20,335)
Benefit obligation at end of year	<u>515,378</u>	<u>467,200</u>
Change in plan assets		
Fair value of plan assets at beginning of year	475,626	499,647
Interest income on plan assets	13,424	12,531
Actuarial (loss) / gain on scheme assets	47,193	(39,757)
Employer contribution	12,538	23,540
Benefits paid from plan	(21,798)	(20,335)
Fair value of plan assets at end of year	<u>526,983</u>	<u>475,626</u>

24. Related party transactions

In accordance with the provisions of Financial Reporting Standards 102 'Related Party Disclosures', the Company has not disclosed details of transactions with wholly owned group undertakings since the consolidated financial statements of DIC Corporation in which the Company is included are publicly available at the address given in note 25.

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Notes to the financial statements (continued) For the year ended 31 December 2019

25. Ultimate parent company and controlling party

The ultimate parent undertaking and the controlling undertaking of the largest group for which group financial statements are drawn up is DIC Corporation, a company incorporated in Japan.

Sun Chemical Limited is a wholly owned subsidiary of Sun Chemical N.V./S.A, a company incorporated in Belgium, which in turn is a subsidiary of Sun Chemical Group Coöperatief U.A., a company incorporated in the Netherlands. Dainippon Ink and Chemicals Inc. heads the largest and the smallest group in which Sun Chemical Limited is a member for which group financial statements are prepared.

The consolidated financial statements of Dainippon Ink and Chemicals Inc. are available to the public and may be obtained from its registered office DIC (Japan) Inc., DIC Building, 7-20 Nihonbashi, 3-Chome, Chuo-Ku, Tokyo 103, Japan.

26. Subsequent events

Since the balance sheet date, the outbreak of the COVID-19 virus, declared a pandemic by the World Health Organisation on 11 March 2020, has given rise to material economic and financial uncertainties. This is considered to be a non-adjusting post balance sheet event for the Company. The impact has been and will continue to be considered by the Directors as set out on page 5.