

**Company Registration No. 02647054**

**Sun Chemical Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2018**



# **Sun Chemical Limited**

## **Annual report and financial statements for the year ended 2018**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Directors' responsibilities statement</b>	<b>6</b>
<b>Independent auditor's report to the members of Sun Chemical Limited</b>	<b>7</b>
<b>Income statement</b>	<b>10</b>
<b>Statement of other comprehensive income</b>	<b>11</b>
<b>Balance sheet</b>	<b>12</b>
<b>Statement of changes in equity</b>	<b>13</b>
<b>Notes to the financial statements</b>	<b>14</b>

# **Sun Chemical Limited**

## **Annual report and financial statements for the year ended 2018**

### **Officers and professional advisers**

#### **Directors**

C Heynes  
P Saunders  
M Schoonenberg  
S Foster

#### **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 £5,444,000 (2017: loss £4,486,000).

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 decreased by 3.0%. This was largely due to a reduction in market size in the more traditional publications sector.

The gross profit margin is 17.4% (2017: 22.5%), a decrease on the prior year due to a combination of factors including raw material increases, and changes to the product mix sold.

Within administrative expenses there are other costs relating to restructuring totalling £2,444,000 (2017: £7,130,000), see note 4.

There is a dividend income of £14,000,000 (2017: £nil) offset by the decrease in sales and the increased other costs, predominately restructuring costs, this mostly explains the profit in 2018.

The Company's balance sheet on page 12 of the financial statements shows an increase in net assets from £18,425,000 in 2017 to £20,141,000 in 2018, mainly due to the Company profit for the year of £5,444,000 offset by net actuarial losses and associated deferred tax arising on the pension scheme liability of £3,728,000.

### 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.

#### 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.

#### Subsequent events

There have been no subsequent events post year end.

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



Director

2 August 2019

# **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 2018.

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  
S Foster  
M Schoonenberg

### **Dividends**

A dividend on the 8.5% cumulative preference shares, amounting to 8.5p (2017: 8.5p) per share, £9,000 (2017: £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 (2017: 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.

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 facility stating that £28,674,000 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 2018, the Company is in a position to support its net current assets of £293,000 as it has net assets of £20,141,000. 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.

### **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.

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

## Directors' report (continued)

### 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

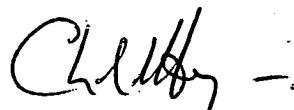
Each of the persons who is a director at the date of approval of this report confirms that:

- 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



C Heynes  
Director

2 August 2019

## **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 2018 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](http://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.



Sukhbinder Kooner (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

2 August 2019

## Sun Chemical Limited

### Income Statement For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
<b>Turnover</b>	1, 3	164,518	169,645
Cost of sales		(135,967)	(131,501)
<b>Gross profit</b>		28,551	38,144
Distribution costs		(13,483)	(12,393)
Administrative expenses	4	(24,723)	(28,800)
<b>Operating loss</b>		(9,655)	(3,049)
Profit on disposal of tangible fixed assets		1,703	142
Profit on disposal of fixed asset investments		39	-
Dividend income		14,000	-
<b>Profit / (loss) on ordinary activities before finance charges</b>		6,087	(2,907)
Interest receivable and similar income	5	12,531	12,773
Interest payable and similar charges	6	(13,555)	(14,352)
<b>Profit / (loss) before taxation</b>	7	5,063	(4,486)
Tax on profit / (loss)	9	381	-
<b>Profit / (loss) for the financial year</b>		<u>5,444</u>	<u>(4,486)</u>

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 2018

	Notes	2018 £'000	2017 £'000
Profit / (loss) for the financial year		5,444	(4,486)
		<u>5,444</u>	<u>(4,486)</u>
Actuarial (loss)/gain relating to pension scheme – excluding the effect from change of indexation assumption	23	(39,757)	17,222
Actuarial gain from the effect of change of indexation assumption on pension liability	23	37,518	4,447
Deferred tax attributable to actuarial losses	15, 17	(1,489)	(5,553)
		<u>1,716</u>	<u>11,630</u>
<b>Total comprehensive income</b>		<u><u>1,716</u></u>	<u><u>11,630</u></u>


# Sun Chemical Limited

## Balance sheet As at 31 December 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	11	11,558	14,644
Tangible assets	12	37,900	41,364
Investments	13	14,815	14,816
Deferred tax asset	15	-	1,108
Pension asset	23	8,426	-
		<u>72,699</u>	<u>71,932</u>
<b>Current assets</b>			
Stocks	14	23,345	20,934
Debtors	15	22,855	28,988
		<u>46,200</u>	<u>49,922</u>
<b>Creditors: amounts falling due within one year</b>	16	(45,907)	(67,496)
<b>Net current assets / liabilities</b>		<u>293</u>	<u>(17,574)</u>
<b>Total assets less current liabilities</b>		<u>72,992</u>	<u>54,358</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(52,057)	(28,927)
<b>Provisions for liabilities</b>	18	(794)	(488)
<b>Pension liability</b>	23	-	(6,518)
<b>Net assets</b>		<u>20,141</u>	<u>18,425</u>
<b>Capital and reserves</b>			
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		(305,509)	(307,225)
<b>Shareholders' funds</b>		<u>20,141</u>	<u>18,425</u>

These financial statements of Sun Chemical Limited (registered number 02647054) on pages 10 to 31 were approved and authorised for issue by the Board of Directors on 2 August 2019.

Signed on behalf of the Board of Directors

  
C Heynes  
Director

# Sun Chemical Limited

## Statement of changes in equity For the year ended 31 December 2018

	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 loss 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>

	Notes	Called up share capital £'000	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2017		11,500	142,900	171,250	(318,855)	6,795
Loss for the financial year		-	-	-	(4,486)	(4,486)
Other comprehensive income for the period	23	-	-	-	16,116	16,116
Total comprehensive income for the period		-	-	-	11,630	11,630
At 31 December 2017		<u>11,500</u>	<u>142,900</u>	<u>171,250</u>	<u>(307,225)</u>	<u>18,425</u>

# Sun Chemical Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 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 Company meet its day-to-day working capital requirements through financing facilities from a group company. 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.

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 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 facility stating that £28,674,000 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 2018, the Company is in a position to support its net current assets of £293,000 as it has net assets of £20,141,000. 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.

#### 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.

#### 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.

#### 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.

# Sun Chemical Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 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.

#### 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.

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 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.

# Sun Chemical Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2018

#### 1. Accounting policies (continued)

##### 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 2018. The key assumptions used in the valuation are detailed in note 23. The pension scheme asset / (liability) is £8,426k (2017: (£6,518k)).

#### 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 £2,444,000 (2017: £7,130,000).

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 5. Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable and similar income:		
Expected return on pension plan assets (note 23)	12,531	12,773
	<u>12,531</u>	<u>12,773</u>

### 6. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable to other group undertakings	(1,039)	(607)
Interest payable from overdrafts	(91)	(64)
Interest cost – pension scheme (note 23)	(12,416)	(13,672)
Dividend payable on 8.5% cumulative redeemable preference shares	(9)	(9)
	<u>(13,555)</u>	<u>(14,352)</u>

### 7. Profit on ordinary activities before taxation

This is stated after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation		
- owned assets	3,897	4,061
Amortisation of goodwill - Administrative expenses	2,993	2,993
Amortisation of intangibles - Administrative expenses	111	107
Operating lease rentals		
- plant and equipment	1,237	1,307
- land and buildings	1,535	1,415
Research and development expenditure	7,840	7,557
Recharge of European management costs	(7,778)	(6,916)
Foreign exchange – net	3	(85)
Cost of stock recognised as an expense	103,610	102,628
	<u>103,610</u>	<u>102,628</u>

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

	2018 £'000	2017 £'000
Fee payable to the Company's auditor for the audit of the Company's annual financial statements	121	121
Audit-related assurance services	25	25
Total audit fees	<u>146</u>	<u>146</u>

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 8. Directors and employees

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

	2018 No.	2017 No.
Production	472	486
Sales and distribution	101	88
Administration	88	86
Technical service	56	60
	<u>717</u>	<u>720</u>

The aggregated remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	30,148	29,357
Social security costs	2,850	3,520
Pension costs – defined benefit (note 23)	6,472	1,166
Pension costs – non defined benefit	2,980	2,974
	<u>42,450</u>	<u>37,017</u>

The staff costs include remuneration in respect of directors of the Company (number of directors in 2018: 4 (2017: 4)), as follows:

	2018 £'000	2017 £'000
Emoluments	<u>487</u>	<u>526</u>

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

	2018 £'000	2017 £'000
Emoluments	<u>209</u>	<u>202</u>

Total pension costs paid for directors of the Company at year end was £27,000 (2017: £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 (2017: three) 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 2018

### 9. Tax charge on profit on ordinary activities

#### (i) Analysis of tax charge on ordinary activities

	2018 £'000	2017 £'000
<b>Current tax:</b>		
United Kingdom corporation tax at 19.00% (2017: 19.25%)	-	-
Adjustment in respect of prior years	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax:</b>		
Accelerated capital allowances	-	-
Other timing differences	381	-
<b>Total deferred tax</b>	381	-
<b>Tax on profit on ordinary activities</b>	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% (2017: 19.25%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit / (loss) on ordinary activities before tax	5,063	(4,486)
Loss on ordinary activities multiplied by standard rate of corporation tax of 19.00% (2017: 19.25%)	962	(864)
Non-deductible expenditure	2,805	148
Non-qualifying depreciation	192	219
Losses carried forward	(1,447)	521
Group relief not paid for	(879)	397
Deferred tax not provided	(1,821)	(997)
Non-deductible goodwill	569	576
<b>Total tax for the year</b>	381	-

During the year commencing 1 January 2019, 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

	2018 £'000	2017 £'000
<b>Non-equity shares:</b>		
Appropriations of profit in respect of 8.5% cumulative redeemable preference shares (2017: 8.5%)	9	9

Dividends on the Company's cumulative redeemable preference shares were £171,000 in arrears at 31 December 2018 (2017: £162,000). 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 2018

### 11. Intangibles assets

	2018 £'000	2017 £'000
Goodwill	11,543	14,536
Intangible assets	15	108
	<u>11,558</u>	<u>14,644</u>

#### Goodwill

	£'000
<b>Cost</b>	
At 1 January and 31 December 2018	65,594
<b>Amortisation</b>	
At 1 January 2018	51,058
Charge in the year	2,993
At 31 December 2018	<u>54,051</u>
<b>Net book value</b>	
At 31 December 2018	<u>11,543</u>
At 31 December 2017	<u>14,536</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
<b>Cost</b>	
At 1 January 2018	537
Additions in the year	18
At 31 December 2018	<u>555</u>
<b>Amortisation</b>	
At 1 January 2018	429
Charge in the year	111
At 31 December 2018	<u>540</u>
<b>Net book value</b>	
At 31 December 2018	<u>15</u>
At 31 December 2017	<u>108</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. 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.

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 12. Tangible fixed assets

	Freehold and leasehold property £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
<b>Cost</b>				
At 1 January 2018	35,761	26,677	4,263	66,701
Additions	-	-	5,230	5,230
Disposals	(4,735)	(1,164)	-	(5,899)
Transfers	1,025	5,943	(6,968)	-
At 31 December 2018	32,051	31,456	2,525	66,032
<b>Depreciation</b>				
At 1 January 2018	12,426	12,911	-	25,337
Charge for the year	1,011	2,886	-	3,897
Disposals	(27)	(1,075)	-	(1,102)
At 31 December 2018	13,410	14,722	-	28,132
<b>Net book value</b>				
At 31 December 2018	18,641	16,734	2,525	37,900
At 31 December 2017	23,335	13,766	4,263	41,364

Included within the freehold property is land of £9,749,000 (2017: £9,749,000) which is not depreciated.

### 13. Fixed asset investments

	2018 £'000	2017 £'000
Subsidiary undertakings	14,815	14,815
Associated undertakings	-	1
	14,815	14,816

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 13. Fixed asset investments (continued)

Investments in subsidiary and associated undertakings:

	Shares in subsidiary and associated undertakings £'000
<b>Cost</b>	
At 1 January	14,816
Disposal	(1)
At 31 December 2018	14,815
<b>Net book value</b>	
At 31 December 2018	14,815
At 31 December 2017	14,816

At 31 December 2018, 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

\*Indirectly held by Sun Chemical Limited

Registered office:

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

\*\*\*Voysey House, Barley Mow Passage, Chiswick, London, W4 4PT

Gibbon Finecal Limited, an associated entity was sold in September 2018 for £40,000.

### 14. Stocks

	2018 £'000	2017 £'000
Raw materials	8,294	7,270
Work in progress	136	110
Finished goods and goods for resale	14,915	13,554
	<u>23,345</u>	<u>20,934</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 2018

### 15. Debtors

	2018 £'000	2017 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	17,004	19,612
Amounts owed by group undertakings*	3,369	6,900
Other debtors	1,276	1,338
Prepayments and accrued income	1,206	1,138
	<u>22,855</u>	<u>28,988</u>
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 19)	-	1,108
	<u>-</u>	<u>1,108</u>
<b>Total debtors</b>	<u><u>22,855</u></u>	<u><u>30,096</u></u>

\* The amounts owed by group undertakings are unsecured and interest free debtors. The debtor is due for repayment in Jan-Mar 2019.

### 16. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	9,151	12,250
<b>Amounts owed to group undertakings</b>		
- Trade related*	30,005	33,467
- Current accounts**	486	13,712
- Accrued interest on interest bearing loans	79	58
Social security costs and other taxes	1,128	(47)
Other creditors	1,150	1,341
Accruals and deferred income	3,907	6,395
Overdraft	1	320
	<u>45,907</u>	<u>67,496</u>

\* The amounts owed to group undertakings are unsecured and interest free creditors. The creditor is due for repayment in Jan-Mar 2019.

\*\* 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 2019.

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

	2018 £'000	2017 £'000
<b>Amounts owed to group undertakings:</b>		
- Trade related*	10,000	-
- Interest-bearing loans**	18,674	18,674
- Deferred current accounts***	23,000	10,000
8.5% cumulative preference shares****	100	100
Accruals and deferred income	283	153
	<u>52,057</u>	<u>28,927</u>
<b>Total creditors</b>	<u><u>52,057</u></u>	<u><u>28,927</u></u>

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 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 2020.
- \*\* The amounts owed to group undertakings are unsecured and interest-bearing loans to Sun Chemical B.V. at a rate of 4.90% (2017: 4.45%). The loan is due for repayment in October 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 October 2020.
- \*\*\*\*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 2018	488
Provided for	338
Utilised in the year	(32)
At 31 December 2018	794

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% (2017: 17%) for the Company.

	Amount provided		Amount unprovided	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Pension	1,432	(1,108)	-	-
Accelerated capital allowance	-	-	4,161	5,834
Other timing differences	-	-	2,944	4,509
Corporation tax losses	(1,432)	-	8,850	10,347
At 31 December	-	(1,108)	15,955	20,690

Finance Act No2 2015, included provisions to reduce the corporation tax to 19% with effect from 1 April 2017, Finance Act 2016 introduced a further reduction in the main rate of corporation tax to 17% from 1 April 2020. Accordingly a rate of 17% has been applied when calculating deferred tax assets and liabilities as at 31 December 2018.

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 20. Called up share capital

	2018 £'000	2017 £'000
<b>Equity share capital:</b>		
<b>Authorised</b>		
19,900,000 ordinary shares of £1 each	19,900	19,900
	<u>19,900</u>	<u>19,900</u>
<b>Allotted, called up and fully paid</b>		
11,500,005 ordinary shares of £1 each	11,500	11,500
	<u>11,500</u>	<u>11,500</u>
<b>Preference shares:</b>		
<b>Authorised</b>		
100,000 8.5% cumulative redeemable preference shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
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.

### 21. Leasing commitments

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

	Land and buildings 2018 £'000	Other 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000
Not later than one year	1,798	429	1,647	530
After one year but not more than five years	5,320	481	5,619	402
After five years	3,041	-	3,294	-
	<u>10,159</u>	<u>910</u>	<u>10,560</u>	<u>932</u>

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 22. Capital commitments

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

	2018 £'000	2017 £'000
Capital expenditure contracted but not provided for	248	335

### 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 £2,948,000 (2017: £2,769,000). Contributions payable to the fund at the year-end included in creditors were £nil (2017: £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 2014 and updated to 31 December 2018 by Mr D.Charles, Fellow of the Institute of Actuaries. The major assumptions used by the actuary were:

	2018 %	2017 %	2016 %
Discount rate	2.85	2.50	2.70
RPI Inflation	3.10	3.10	3.10
CPI Inflation	2.00	2.00	2.00
Deferred revaluations	2.00	2.00	2.00
Pension increases			
- RPI to a maximum of 5%	3.00	3.00	3.00
- RPI to a maximum of 2.5%	2.20	2.20	2.20
- RPI to a minimum of 3% and maximum of 5%	3.60	3.60	3.60
	2.0% for the first 2 years then 2.0% pa thereafter	2.0% for the first 2 years then 2.0% pa thereafter	2.0% for the first 2 years then 2.0% pa thereafter
Rate of increase in salaries			
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 2018, the Company paid contributions of £23,540,000 (2017: 13,063,000). 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 inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) in 2010.

The FRS 102 information below is based upon the market value of assets as at 31 December 2018 and accurate membership data as at the most recent valuation.

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 23. Pension commitments (continued)

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

	2018 %	2018 £'000	2017 %	2017 £'000	2016 %	2016 £'000	2015 %	2015 £'000	2014 %	2014 £'000
Equities	7.7	170,748	7.7	164,912	7.7	213,633	7.7	175,659	7.7	174,627
Bonds	4.0	204,580	4.0	216,547	4.0	157,924	4.0	145,039	4.0	145,976
Property	7.7	13,527	7.7	12,930	7.7	18,803	7.7	20,072	7.7	23,533
Other	5.7	70,402	5.7	85,649	5.7	62,710	5.7	25,149	5.7	22,627
Secured pensions in payment	4.5	16,369	4.5	19,609	4.5	23,392	4.5	22,556	4.5	23,757
Total fair value of assets		475,626		499,647		476,462		388,475		390,520
Present value of scheme liabilities		(467,200)		(506,165)		(515,647)		(430,691)		(448,284)
Net pension asset / (liability)		8,426		(6,518)		(39,185)		(42,216)		(57,764)

The Company considered the current level of expected returns on risk free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

History of experience gains and losses:

	2018 FRS 102	2017 FRS 102	2016 FRS 102	2015 FRS 102	2014 FRS 102
Losses and gains on scheme assets (£'000)	(39,757)	17,222	78,089	(13,798)	44,145
Percentage of scheme assets	(8%)	3%	16%	(4%)	11%
Gains and (losses) on scheme liabilities (£'000)	37,518	4,447	(84,724)	20,317	(39,852)
Percentage of scheme liabilities	8%	9%	(16%)	(2%)	(9%)
Total amount recognised in Statement of Comprehensive Income (£'000)	(2,239)	21,669	(6,635)	6,519	4,293
Percentage of scheme liabilities	5%	(4%)	1%	(2%)	(1%)

Comparative amounts have been restated under FRS 102, where necessary, on the same basis as those for the current year.

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 23. Pension commitments (continued)

Analysis of the defined benefit cost for the year ended 31 December 2018 and 31 December 2017 were as follows:

	2018 £'000	2017 £'000
Current service cost	1,131	1,166
Past service cost	5,341	-
Total service cost	<u>6,472</u>	<u>1,166</u>

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

	2018 £'000	2017 £'000
Interest income on pension scheme assets	12,531	12,773
Interest expense on pension scheme liabilities	(12,416)	(13,672)
Net other finance cost	<u>115</u>	<u>(899)</u>

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

	2018 £'000	2017 £'000
(Losses) / gains on pension scheme assets	(39,757)	17,222
Gains arising on the scheme liabilities	37,518	4,447
(Losses) / gains recognised in statement of other comprehensive income	<u>(2,239)</u>	<u>21,669</u>

Movements in deficit during the year:

	2018 £'000	2017 £'000
Deficit in scheme at beginning of year	(6,518)	(39,185)
Movement in year:		
Current service cost	(1,131)	(1,166)
Past service cost	(5,341)	-
Contributions	23,540	13,063
Other finance income	115	(899)
Actuarial (loss) / gain	(2,239)	21,669
	<u>8,426</u>	<u>(6,518)</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 £73,754,000 (2017: £71,515,000).

The estimated amounts of contributions expected to be paid to the scheme during the 2019 financial year is £12,500,000.

# Sun Chemical Limited

## Notes to the financial statements (continued) For the year ended 31 December 2018

### 23. Pension commitments (continued)

	2018 £'000	2017 £'000
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	506,165	515,647
Service cost	1,131	1,166
Past service cost	5,341	-
Interest cost	12,416	13,672
Actuarial losses from changes in assumptions	(37,518)	(4,447)
Benefits paid	(20,335)	(19,873)
Benefit obligation at end of year	<u>467,200</u>	<u>506,165</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	499,647	476,462
Interest income on plan assets	12,531	12,773
Actuarial (loss) / gain on scheme assets	(39,757)	17,222
Employer contribution	23,540	13,063
Benefits paid from plan	(20,335)	(19,873)
Fair value of plan assets at end of year	<u>475,626</u>	<u>499,647</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.

### 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

There have been no subsequent events post year end.