Univar Specialty Consumables Limited

Report and Financial Statements

31 December 2019

Company Information

Registered Number of Incorporation
00994213

Directors
S Duyfjes
P Bryant
J Carr (resigned with effect from 17 February 2020)
N Perkins (appointed with effect from 17 February 2020)

Auditor
Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Registered Office
Aquarius House
6 Mid Point Business Park
Thornbury
Bradford
BD3 7AY

Bankers
Bank of America Merrill Lynch
5 Canada Square
London

Strategic report

Business review and principal activities

The company's immediate parent undertaking is Univar Europe Limited; a company providing support services for the EMEA companies of Univar Solutions Inc. Univar Solutions Inc is the ultimate parent undertaking, a company registered on the NYSE.

The company's principal activities are the distribution of abrasives, adhesives, adhesive tapes, lubricants, protection films and silicones principally to the construction, automotive, aerospace, electronics and refurbishment industries. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any major changes in the company's activities in the next year.

Since the start of the business over 130 years ago, the company has had a focused goal, to offer customers the best service and technical support. The company continues to focus on this every day by training staff on the full product range to ensure delivery of excellent technical support, whilst maintaining an efficient customer purchasing experience.

The company remains very focused on safety and standards, with ISO accreditation and a safety record that includes over a decade without a single recordable injury.

Key performance indicators

The company's key financial indicators in the year were:

	2019	*2018*	*Change*
	£000	*£000*	*%*
Turnover	28,025	29,167	(3.9)
Operating profit	1,571	1,723	(8.8)
Profit after taxation	1,506	1,612	(6.6)
Net assets	15,090	13,584	11.1
Current assets as a % of current liabilities	393.0%	276.7%	42.0

Turnover decreased by £1,142,000 comparative to the prior year; reflecting strong trading performance, particularly higher volumes in the automotive industry in the prior year.

The increase in the Shareholders' funds during the year reflects the retained profit for the current period of £1,506,000.

Included in the intercompany debtors of £11,357,000 (2018: £11,384,000) is a deposit of £11,250,000 (2018: £11,289,000) held in the group's centralised cash pool arrangements with Univar Solutions BV (formerly Univar BV).

Average headcount in the year was 65 (2018: 64).

Principal risks and uncertainties

The principal risks and uncertainties affecting the company's trading activities arise through a relatively high dependence on the UK automotive manufacturing sector where the company has a long standing supply and service proposition. This sector relies heavily on export markets and is therefore sensitive to any adverse global economic cycles that can dynamically effect car production, which also has a direct impact on company sales. Ongoing service innovation and product penetration is in place to counter the adverse effects of poor demand during periods of economic slowdown.

The COVID-19 outbreak has developed rapidly in 2020 and as a result has had a global impact on many companies, however Univar Europe Limited has been able to maintain the same level of management services throughout, adapting to the new working environment. The sales performance of the wider group has continued to be strong in 2020. Management is continuously evaluating the efficacy of the COVID-19 virus and has concluded that it is possible the virus may have a negative impact on the results of future operations, but management believes that the company's impact of COVID-19 is limited.

Strategic report (continued)

Principal risks and uncertainties (continued)

We are closely monitoring the potential impact of COVID-19 on our 2020/2021 financial results and cashflows; detailed risk assessments and revised projections for the business prepared. Our top priority remains the health and safety of our staff, customers and suppliers.

The company has a strong net asset position to counteract these risks and uncertainties and holds significant cash in the group's pooling arrangement.

Risk Management

Currency Risk

Management regularly monitor the company's currency positions and exchange rate movements and make currency decisions as appropriate. The group may take on forward exchange contracts to mitigate any material currency risks brought about by its trading activities.

Price Risk

The company constantly reviews both its own and supplier prices and, where appropriate, will use a range of suppliers to ensure that market prices for purchases are achieved.

Liquidity

Management control and monitor the company's cash flow on a regular basis, including forecasting future cash flows.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that party by failing to discharge and obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

The Board of Directors' Statement on s172(1)

Under section 172 of the UK Companies Act 2006 ('Section 172') directors must act in the way that they consider, in good faith, would be most likely to promote the success of their company. In doing so, our directors must have regard to stakeholders and the other matters set out in Section 172. The information presented below comprises the Section 172 statement, which describes how the directors have had regard to these matters when performing their duties.

We have identified the stakeholder groups below as key to the success of the Company. In light of our objectives and strategies, our directors take steps to understand the needs and priorities of each stakeholder group and do so through a variety of mediums and channels.

The Board of directors ('the Board') is comprised of S Duyfjes, P Bryant and N Perkins. The Board meets as and when required. The directors communicate within their functional teams and cross functionally with the wider EMEA senior management team on a regular basis. Information from various business areas, with particular feedback on specific stakeholder groups, is relayed to the Board. The outcome of stakeholder engagement influences the formulation and ongoing review of the long-term strategy and financial planning to ensure that our approach continues to deliver sustainable returns and promotes reputational reward.

As part of the Board of directors' ("the Board") decision-making process, the Board considers the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's responsible business practices and the likely consequences of decisions in the long term.

The summary below details the interests of each of the relevant stakeholder groups and the approaches taken to engage them.

Strategic report (continued)

The Board of Directors' Statement on s172(1) (continued)

Investors – Our ultimate parent, Univar Solutions Inc.

As the owner of the Company, our ultimate parent's priorities are critical to us and their support allows us to implement our strategy and to achieve our long-term plans.

Key topics of engagement	How we engaged in 2019	Considerations and outcomes
Key areas are: • Compliance with all regulations; • Compliance with internal US Group policies; • Operating in an ethical manner; • Performance against the strategic and financial plan; and • Effective leadership to ensure the Company's long-term sustainability and ultimately deliver a return on investment.	We have open, frequent dialogue with our parent company senior leadership team through one-to-one meetings, function meetings and board meetings. A matrix reporting structure is in place with our parent company. Key parent company senior leadership members are directors of the UK Group holding companies.	The Directors have not recommended a dividend for the year ending 31 December 2019.

Employees

Our employees are critical to the delivery of our strategy and the future growth of the business.

Key topics of engagement	How we engaged in 2019	Considerations and outcomes
Key areas are: • Empowerment of employees; • Encourage problem solving; • Offer wide range of training and development programmes; • Internal promotions to support long term and fulfilled careers.	Formal and informal communication including regular management communications and town hall presentations. The directors meet sector specific operating committees on a regular basis and will frequently take the opportunity to engage with the employees on site visits.	This process has allowed the company to keep employees informed on a timely basis of the revised working arrangements due to COVID-19,

Customers

Key topics of engagement	How we engaged in 2019	Considerations and outcomes
Key areas are: • Focus on future, new and existing customer base. • Strive to develop enduring partnerships, drive continuous improvement and innovation into operations to drive long term relationships.	The directors take the time to understand the real and perceived needs of our customers, which they do through actively maintaining close relationships.	Continuous improvement is at the heart of our operations, driving out waste and improving efficiencies for our customers.

Strategic report (continued)

The Board of Directors' Statement on s172(1) (continued)

Suppliers

Key topics of engagement	How we engaged in 2019	Considerations and outcomes
Key areas are: • Reliance on suppliers to provide us with products and services which meet our stringent quality and performance requirements, which in turn allows us to fulfil our commitments to our customers.	On an operational level on a day-to-day basis we engage to ensure that our expectations are met from a quality and delivery perspective or at director level in relation to more strategic discussions. Agreements are entered into with key suppliers where appropriate and performance targets are regularly agreed with suppliers to align with our drive for continuous improvement.	The Company has instilled a culture of ensuring we pay suppliers in line with commercially agreed payment terms. We have strong codes of conduct in relation to anti-bribery and corruption, criminal finances, human trafficking and modern slavery legislation, this zero-tolerance culture being driven by the Board of Directors.

Our community and the environment

We recognise that the business has an important role to play in its local community. We also acknowledge the impact of our business on the wider society.

Regulatory bodies

Key topics of engagement	How we engaged in 2019	Considerations and outcomes
Key areas are: • Maintain the highest standards of conduct; • Adopt principled and moral long term business practices, rather than aggressive policies focused on short term gains.	Number of our policies are published on our shareholders' websites, including our zero tolerance to ethical matters such as bribery and corruption, along with maintaining transparent and fair policies with each of our stakeholders. We maintain a regular dialogue with government bodies and regulators, and actively participate in various industry working groups and trade representative bodies.	Engaging in discussions regarding future policy development and planned regulatory changes, and to identify potential opportunities and risks for the business.

Strategic report (continued)

Future developments

The directors aim to maintain the philosophy of "Earning customers for life" through developing tailored offerings to enhance the different areas of the business and provide specific technical solutions to customers. Over the past 10 - 15 years the product portfolio has grown extensively, this has been achieved through the company's partnerships within the automotive industry where staff stand line-side with their engineers to provide industry leading quality products and service. Particular attention will continue to be paid to keeping a tight control on costs.

On behalf of the Board

DocuSigned by:

Paul Bryant

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P Bryant – Director

March 12, 2021

Registered No. 00994213

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

Directors

The directors who served the company during the year and subsequently were as follows:

S Duyfjes
P Bryant
J Carr (resigned with effect from 17 February 2020)
N Perkins (appointed with effect from 17 February 2020)

Dividends

The profit for the year after taxation amounted to £1,506,000 (2018: £1,612,000). The directors have not recommended the payment of a dividend this year (2018 – £4,300,000).

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management and objectives are described on page 2. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The formal centralised treasury arrangements entitle the company to access funds contributed to the arrangement on demand as well as access additional facilities if required. A letter of support has been obtained from the ultimate parent reinforcing the rights to funding from the group treasury arrangements. In assessing the ability of the ultimate parent to support the company if needed the directors have received and reviewed a copy of the group managements going concern assessments which are produced as each set of quarterly results are released to the US market in accordance with ASC 205-40-50. The directors note that the US parent has considerable net current assets and very high levels of liquidity due to a combination of cash reserves and access to undrawn but committed facilities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Strategic report

In accordance with section 414C(11) of the Companies Act 2006 (strategic report and directors' report) Regulations 2013, the company has prepared a strategic report, which includes information that previously would have been included in the directors' report.

Disclosure of information to the auditor

The Directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware; and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report (continued)

Auditor

During the year the directors re-appointed Ernst & Young LLP as auditors. Appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

This report was approved by the Board and signed on its behalf:

DocuSigned by:
Paul Bryant
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P Bryant – Director
March 12, 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable UK 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). 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 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 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 Univar Specialty Consumables Limited

Opinion

We have audited the financial statements of Univar Specialty Consumables Limited for the year ended 31 December 2019 which comprise the Income Statement, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter – Effects of COVID-19

We draw attention to Note 22 of the financial statements, which describes the disruption the company is facing as a result of COVID-19 which is impacting consumer demand and ultimately the long-term carrying value. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

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 this regard.

Independent auditor's report (continued)

to the members of Univar Specialty Consumables Limited

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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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 Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Peter Buckler (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor,
Leeds
March 15, 2021

Income statement

for the year ended 31 December 2019

	Notes	*2019* *£000*	*2018* *£000*
Turnover	2	28,025	29,167
Cost of sales		(21,333)	(22,332)
Gross profit		6,692	6,835
Administrative expenses		(5,121)	(5,112)
Operating profit	3	1,571	1,723
Interest receivable and similar income	6	371	307
Interest payable and similar charges	6	(55)	(12)
Profit on ordinary activities before taxation		1,887	2,018
Tax	7	(381)	(406)
Profit for the financial year		1,506	1,612

The notes on pages 15 to 34 are integral part of these financial statements.
All amounts relate to continuing activities.

Statement of other comprehensive income

for the year ended 31 December 2019

There is no comprehensive income other than the profit attributable to the shareholders of the company of £1,506,000 in the year ended 31 December 2019 (2018: £1,612,000). Therefore no statement of other comprehensive income has been presented.

The notes on pages 15 to 34 are integral part of these financial statements.

Balance sheet

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	8	1,577	1,636
Tangible assets	9	116	101
Right-of-use assets	10	44	-
		1,737	1,737
Current assets			
Inventory	11	2,403	2,502
Debtors	12	15,607	16,047
Cash at bank and in hand		10	6
		18,020	18,555
Creditors: amounts falling due within one year	13	(4,585)	(6,705)
Net current liabilities		13,435	11,850
Total assets less current liabilities		15,172	13,587
Creditors: amounts falling due after more than one year	13	(27)	(3)
Provisions for liabilities	14	(55)	-
Net assets		15,090	13,584
Capital and reserves			
Called up share capital	16	4,615	4,615
Profit and loss account		10,475	8,969
Total equity		15,090	13,584

The notes on pages 15 to 34 are integral part of these financial statements.

The financial statements of Univar Specialty Consumables Limited (registered number 00994213) were approved by the board of directors and authorised for issue on March 12, 2021

They were signed on its behalf by:

DocuSigned by:

Paul Bryant

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P Bryant

Director

March 12, 2021

Statement of changes in equity

at 31 December 2019

	Called-up share capital	*Profit and loss account*	*Total*
	£000	*£000*	*£000*
Balance as at 1 January 2018	4,615	11,657	16,272
Profit for the year	-	1,612	1,612
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,612	1,612
Dividends	-	(4,300)	(4,300)
Balance as at 31 December 2018	4,615	8,969	13,584
Balance as at 1 January 2019	4,615	8,969	13,584
Profit for the year	-	1,506	1,506
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,506	1,506
Balance as at 31 December 2019	4,615	10,475	15,090

Profit and loss account – cumulative profit and loss net of distributions to owners.

Notes to the financial statements

at 31 December 2019

1. Accounting policies

Authorisation of financial statements and statement of compliance with FRS 101.

The financial statements of Univar Specialty Consumables Limited (the "company") for the year ended 31 December 2019 were authorised for issue by the board of directors on March 12, 2021 and the balance sheet was signed on the board's behalf by P Bryant. The company is incorporated and domiciled in England and Wales. The company's registered office is disclosed in the company information on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and under the historical cost convention. The company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), amended where necessary in order to comply with the Companies Act 2006.

The principal accounting policies adopted by the company are set out below.

Basis of preparation

The accounting policies that follow set out the policies which apply in preparing the financial statements for the year ended 31 December 2019.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements'. Accordingly, as permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard.

The company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IFRS 7 *Financial Instruments: Disclosures;*

(b) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:

(i) paragraph 79(a) (iv) of IAS 1;

(ii) paragraph 73(e) of IAS16 *Property, plant and equipment;*

(iii) paragraph 118(e) of IAS38 *Intangible assets;*

(iv) paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of assets;*

(b) the requirements of IAS 7 *Statement of Cash Flows*;

(c) the requirements in IAS 24 *Related Party Disclosures* to *disclose* related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member and the compensation of key management personnel.

(d) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

(e) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

Where required, equivalent disclosures are given in the group accounts of Univar Solutions Inc. The group accounts of Univar Solutions Inc are available to the public and can be obtained as set out in note 21.

Notes to the financial statements

at 31 December 2019

1. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Incremental borrowing rate used to measure lease liabilities

Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities (note 15) and the corresponding right-of-use assets (note 10). To determine the incremental borrowing rate the company uses group determined rates, which in turn are based on recent third-party financing as a starting point, adjusted for conditions specific to the lease such as its term and security.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal to related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The recoverable amount of goodwill is based on value in use which requires estimates in respect of the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and the future earnings growth.

Significant accounting policies

a) Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2019

1. Accounting policies *(continued)*

Significant accounting policies (continued)

b) Intangible assets

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the requirement to amortise goodwill over its useful economic life in the Companies Act. If Goodwill were to be amortised over 20 years the annual charge would have been £63,000. Goodwill is stated at cost less any accumulated impairment losses.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Other intangible assets are capitalised at cost and amortised on a straight line basis over their useful economic lives. The carrying value of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be receivable.

Amortisation is provided on all intangible fixed assets, other than goodwill, on a straight line basis over its expected useful life as follows:

Customer relations – 5%

The amortisation period and the amortisation method are reviewed at each financial year end.

c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, on a straight line basis over its expected useful life as follows:

Plant and equipment – 10-33%

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Notes to the financial statements

at 31 December 2019

1. Accounting policies *(continued)*

Significant accounting policies (continued)

d) Leases

IFRS 16 removes the distinction between finance and operating leases and brings virtually all leases onto the balance sheet. The standard has a significant impact on the way the assets, liabilities and the income statement of the company are presented. The company has applied IFRS 16 using the modified retrospective approach. Accordingly the comparative information for 2018 has not been restated, as permitted under the specific transitional provisions in the standard.

The company leases a commercial property from a third party. The leases from third parties, which were previously classed as operating leases are, under IFRS 16, recognised as right of use assets with a corresponding liability. The lease liability is recognised at the discounted present value of the total future lease payments, with a corresponding right of use asset recognised and depreciated over the lease term.

e) Financial instruments

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes party to the contractual provision of the instrument.

Financial assets

The company has adopted the provisions of IFRS 9, *Financial Instruments*, from 1 January 2018 which resulted in a change in accounting policy with regard to expected credit losses. No material adjustments arose from this change in policy.

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

The company's financial assets include cash and short-term deposits and trade and other receivables.

Financial assets are initially measured at fair value plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Notes to the financial statements

at 31 December 2019

1. Accounting policies *(continued)*

Significant accounting policies (continued)

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as follows:

f) Loans and borrowings

Loans and borrowings are subsequently measured at amortised cost using the EIR, with interest expense recognised on an effective yield basis. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

g) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

h) Inventories

Inventories are valued at the lower of cost and net realisable value, using the FIFO basis. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

i) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

j) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforced right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Notes to the financial statements

at 31 December 2019

1. Accounting policies *(continued)*

Significant accounting policies (continued)

j) Income taxes (continued)

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

k) Pensions and other post-employment benefits

The company participates in a multi-employer defined benefit and defined contribution plan, the Univar Company Pension Scheme (1978) ("the Scheme"). This plan is operated on a basis which means that it cannot enable individual companies to identify their share of the underlying assets and liabilities on a consistent and reasonable basis so the company accounts for its contributions to the scheme as if it were only a defined contribution plan. Contributions to defined contribution plans are charged to the profit and loss account in the year in which they are payable.

l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from the sale of goods is recognised when performance obligations have been satisfied, usually on dispatch of the goods.

m) Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management and objectives are described on page 2. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The formal centralised treasury arrangements entitle the company to access funds contributed to the arrangement on demand as well as access additional facilities if required. A letter of support has been obtained from the ultimate parent reinforcing the rights to funding from the group treasury arrangements. In assessing the ability of the ultimate parent to support the company if needed the directors have received and reviewed a copy of the group managements going concern assessments which are produced as each set of quarterly results are released to the US market in accordance with ASC 205-40-50. The directors note that the US parent has considerable net current assets and very high levels of liquidity due to a combination of cash reserves and access to undrawn but committed facilities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

Notes to the financial statements

at 31 December 2019

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, and is wholly attributable to the company's continuing principal activity.

An analysis of turnover by geographical market is given below:

	2019	*2018*
	£000	*£000*
United Kingdom	26,779	27,828
Europe	1,226	1,328
Rest of World	20	11
	28,025	29,167

3. Operating profit

This is stated after charging:

	2019	*2018*
	£000	*£000*
Audit of the financial statements	14	18
Depreciation of owned assets	28	22
Depreciation of leased assets	28	7
Amortisation of intangibles	59	59
Loss on disposal of fixed assets	3	-
Exchange rate (gain) / loss	(30)	17
Redundancy	57	13
Inventory recognised as an expense (included in cost of sales)	21,333	22,332
Including: - write down of inventory to net realisable value	61	34
Operating lease rentals – other	-	107
Operating lease rentals – land and buildings	-	181

4. Directors' remuneration

No remuneration was paid to the directors in the current year or preceding year for their services to the company. The number of directors accruing benefits under defined benefit schemes was nil (2018 – nil). No directors accrued benefits under money purchase schemes.

The directors of the company are also directors of the holding company and/or fellow subsidiaries. The directors received remuneration for the year of £15,768 (2018 – £16,491) in relation to qualifying services as directors of this company, all of which was paid by Univar Solutions Inc, Univar Solutions AG and Univar Europe Limited.

Notes to the financial statements

at 31 December 2019

5. Staff costs

	2019 £000	2018 £000
Wages and salaries	1,799	1,832
Social security costs	144	156
Other pension costs	137	123
	2,080	2,111

The average monthly number of employees during the year was made up as follows:

	No.	No.
Administrative	4	7
Sales and distribution	61	59
	65	66

6. Interest

Interest received and similar income:	2019 £000	2018 £000
Group interest received	371	307

Interest expense and similar charges:	2019 £000	2018 £000
Group interest expense	10	13
Capital lease interest expense	29	-
Other interest expense	16	-
	55	13

7. Tax

(a) Tax charged in the income statement

	2019 £000	2018 £000
Current tax:		
UK corporation tax on the profit for the year	381	401
Adjustments in respect of prior years	3	1
Total current tax	384	402
Deferred tax:		
Origination and reversal of timing differences	(1)	3
Adjustments in respect of prior years	(2)	1
Total deferred tax (note 7(c))	(3)	4
Tax expense in the income statement (note 7(b))	382	406

Notes to the financial statements

at 31 December 2019

7. Tax (continued)

(b) Reconciliation of the total tax charge for the year

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The differences are reconciled below:

	2019	*2018*
	£000	*£000*
Profit on ordinary activities before tax	1,887	2,018
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	359	383
Effects of:		
Expenses not deductible for tax purposes	12	12
Transfer pricing adjustments	9	9
Adjustments in respect of prior years	1	2
Total tax expense reported in the income statement (note 7(a))	381	406

(c) Deferred tax

	2019	*2018*
	£000	*£000*
Deferred tax asset as at 1 January	10	14
Adjustment in respect of prior years	2	(1)
Deferred tax credit to income statement	1	(3)
Deferred tax asset as at 31 December	13	10

The deferred tax included in the company balance sheet is as follows:

	2019	*2018*
	£000	*£000*
Accelerated capital allowances	7	9
Other timing differences	6	1
Deferred tax asset	13	10

(d) Factors affecting future tax

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £1,524, and to increase the deferred tax asset by £1,524.

Notes to the financial statements

at 31 December 2019

8. Intangible fixed assets

	Goodwill £000	Customer relations £000	Total £000
Cost:			
At 1 January 2019 and 31 December 2019	987	1,180	2, 167
Amortisation:			
At 1 January 2019	-	531	531
Charge for the year	-	59	59
At 31 December 2019	-	590	590
Net book value:			
At 31 December 2019	987	590	1,577
At 1 January 2019	987	649	1,636

Carrying amount of the company of £3,842,000 was less than its recoverable amount of £6,216,000, which was calculated using 7.50% discount rate and annual growth rates ranging between (5.8)% and 8.50%. Therefore no impairment has been recognised. Amortisation is charged to the income statement as an administrative expense.

9. Tangible fixed assets

	Plant and equipment £000	WIP £000	Total £000
Cost:			
At 1 January 2019	297	-	297
Additions	19	31	50
Transfer to right of use assets	(11)	-	(11)
Disposals	(8)	-	(8)
At 31 December 2019	297	31	328
Depreciation:			
At 1 January 2019	196	-	196
Transfer to right of use assets	(7)	-	(7)
Charge for the year	28	-	28
Disposals	(5)	-	(5)
At 31 December 2019	212	-	212
Net book value:			
At 31 December 2019	85	31	116
At 1 January 2019	101	-	101

Notes to the financial statements

at 31 December 2019

10. Right-of-use assets

	Plant and equipment	*Vehicles*	*Office Equipment*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 January 2019	-	-	-	-
Arising on adoption of IFRS16	17	12	12	41
Additions	35	-	-	35
Transfer from tangible fixed assets	11	-	-	11
At 31 December 2019	63	12	12	87
Depreciation:				
At 1 January 2019	-	-	-	-
Arising on adoption of IFRS16	-	8	-	8
Transfer from tangible fixed assets	7	-	-	7
Charge for the year	17	2	9	28
At 31 December 2019	24	10	9	43
Net book value:				
At 31 December 2019	39	2	3	44
At 1 January 2019	-	-	-	-

Leased assets and assets under hire purchase contracts are pledged as security for the related lease and hire purchase liabilities.

11. Inventory

	2019	*2018*
	£000	*£000*
Inventory held for resale	2,403	2,502

In the opinion of the directors there is no material difference between the replacement cost of inventories and the amount stated above. As at the balance sheet date, £114,000 provision is held (2018: £57,000).

Notes to the financial statements

at 31 December 2019

12. Debtors

	2019 £000	2018 £000
Trade debtors	3,711	4,253
Amounts due from fellow group undertakings	11,357	11,384
Other debtors	329	253
Prepayments and accrued income	197	147
Deferred taxation (note 7(c))	13	10
	15,607	16,047

During the year, an impairment loss of £3,000 (2018: £9,000) was recognised in respect of trade debtors due from customers who are known to be in financial difficulty and from whom payment was overdue by more than 12 months.

Amounts owed by fellow group undertakings includes £11,250,000 (2018: £11,289,000) due from Univar Solutions B.V. for cash held in a group bank pooling arrangement. Interest is earned on this balance from the Bank of America at the prevailing rate, and is passed through as interest income. The cash pool receivable is unsecured and repayable on demand.

Other intercompany balances are interest free, unsecured, have no fixed repayment terms and are repayable on demand.

13. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	3,934	5,306
Amounts due to fellow group undertakings	53	23
Other taxes and social security costs	49	12
Accruals and deferred income	328	238
Capital lease obligations	19	2
Corporation tax creditor	22	935
Other creditors	180	189
	4,585	6,705

Creditors: amounts falling due in more than one year	2019 £000	2018 £000
Capital lease obligations	27	3

The company's obligations under finance leases are secured by the lessors' charges over the leased assets.

The amounts owed to fellow group undertakings are interest free, unsecured, have no fixed repayment terms and are repayable on demand.

Notes to the financial statements

at 31 December 2019

14. Provision for liabilities

Liabilities due within one year	*Restructuring provision* *£000*
At 1 January 2019	-
Increase to provision during the year	55
Provision utilised	-
At 31 December 2019	55

15. Leases

	2019 *£000*	*2018* *£000*
Arising on adoption of IFRS 16	33	-
Accretion of interest	29	-
Payments	(16)	-
At 31 December 2019	46	-

	2019 *£000*	*2018* *£000*
Amounts falling due:		
Within one year	19	-
Within two and five years	21	-
After more than five years	6	-
	46	-

16. Issued share capital

Allotted, called up and fully paid	*No.*	*2019* *£*	*No.*	*2018* *£*
Ordinary shares of £1 each	4,565,010	4,565,010	4,565,010	4,565,010
Ordinary non-voting shares of £1 each	50,000	50,000	50,000	50,000
		4,615,010		4,615,010

The company's ordinary shares, which carry no right to fixed income, each carry a right to one vote at general meetings of the company. Ordinary non-voting shares rank pari passu for income and no such voting rights.

Notes to the financial statements

at 31 December 2019

17. Capital commitments

Capital commitments at the end of the year for which no provision has been made:

	2019	*2018*
	£000	*£000*
Contracted	-	11

18. Pensions

The company is a member of the Univar Company Pension Scheme (1978) ("the Scheme"). The Scheme is a multi-employer defined benefit and defined contribution plan. The plan is accounted for in the financial statements of a group entity that is legally the sponsoring employer for the plan, Univar Solutions UK Limited ("the company"), in accordance with IAS 19. There is no policy for charging the net defined benefit cost to individual group entities. The details of the surplus for the Scheme are provided in this note.

The assets of the Scheme are held separate to the assets of the company in separate independently administered funds.

The ongoing funding arrangements of the Scheme, in place to meet its long term pension liabilities, are governed by the Scheme documentation and national legislation. The accounting and disclosure requirements of IAS 19 do not affect these funding requirements.

At the balance sheet date the principal employer of the Univar Company Pension Scheme (1978), Univar UK Limited had appointed Pinsent Masons to proceed with obtaining a High Court Judgement to seek the rectification of two rules in the definitive deed and rules of the scheme. On 19 June 2020 the Final Court Judgement was found in favour of the Claimant on all counts thus allowing the Trustees to amend the definitive deed and rules of the scheme to change the provision for increases to pensions in payment and increases to pensions in deferment from RPI to CPI in the defined benefits section of the scheme. The impact has been to reduce the scheme liabilities by £18,880,000 which has been reflected in the financial statements of Univar Solutions UK Limited for the year ending 31 December 2019.

The risks of the scheme are as follows:

Longevity risk

Any increase in the Scheme participants' life expectancy will increase the Scheme's obligations.

Investment risk

If the actual return on the Scheme assets is below the discount rate used in calculating the defined benefit plan obligation, a Scheme deficit will arise; however, the composition of plan assets is balanced enough not to expose the company to significant concentrations of investment risk.

Interest rate risk

A decrease in the bond interest rate will increase the Scheme obligations (although this is partially counterbalanced by an increase in the return on the Scheme's debt investments).

Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher obligations. The majority of the Scheme's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

The overall expected rate of return on assets is established by combining the proportions held in each major asset class with expected returns for each class derived from market yields and consideration of inflation and economic growth expectations.

The defined benefit section was closed to future accrual on 30 November 2010. All active members of the section transferred to the defined contribution section of the Scheme at this date for future service.

Notes to the financial statements

at 31 December 2019

18. Pensions (continued)

The key financial assumptions, actuarial method and results of these valuations at 31 December 2019 and 31 December 2018 are set out below:

	2019	*2018*
	£000	*£000*
Scheme assets at fair value:		
Equities	16,967	52,174
Bonds	314,608	227,190
Other	1,755	14,109
Fair value of scheme assets	333,330	293,473
Present value of scheme liabilities	(265,223)	(257,377)
Defined benefit pension plan surplus	68,107	36,096

The Scheme has not invested in any of the company's own financial instruments nor in properties or other assets used by the company.

		2019	*2018*
Actuarial method used		*Projected Unit*	*Projected Unit*
		%	%
Main assumptions:			
Discount rate	%	1.90	2.70
Wages and salaries increases p.a.	%	n/a	n/a
Rate of increase in pensions in payment	%	1.80-3.30	1.90-3.35
Rate of increase in pensions in deferment	%	2.30-3.20	2.50-3.40
Return on assets	%	1.90	3.25
RPI inflation p.a.	%	3.20	3.40
CPI inflation p.a.	%	2.30	2.50

Average life expectancy:	*2019*	*2018*
Current female pensioners	23.6	23.5
Current male pensioners	22.1	22.0
Future female pensioners	24.8	24.7
Future male pensioners	23.1	23.0

Notes to the financial statements

at 31 December 2019

18. Pensions (continued)

Sensitivity of the Scheme's liabilities to the assumptions chosen:

Change in assumption	Impact on Scheme liabilities *£'000*
Increase the discount rate by 1%	2,453
Decrease the discount rate by 1%	13,013
Increase the inflation rate by 1%	5,332
Decrease the inflation rate by 1%	(1,115)
Increase life expectancy of all members by 1 year	30,442
Decrease life expectancy of all members by 1 year	6,858

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Pension increases have been allowed for as appropriate under the Scheme rules. Pension increases on benefits from service before April 1997 for the Scheme are discretionary. No advance allowance for future discretionary increases has been made in the liabilities.

Employer contributions:

For the Defined Benefit section company contributions, prior to the closure of the Scheme, were as follows:

- 29.5% of pensionable salaries less member contributions for Senior Staff
- 20.0% of pensionable salaries less member contributions for other members

In addition, fellow group undertakings have paid deficit contributions of £7,650,000 during the year ending 31 December 2019 (2018: £16,950,000).

For the Defined Contribution section:

- 20% of pensionable salaries for non-contributory Senior Staff
- 13-15% of pensionable salaries for contributory Senior Staff
- 6-12% of pensionable salaries for other members

Employee contributions:

For the Defined Benefit section:

- The members shall pay contributions monthly as required by the Rules of the Scheme.

For the Defined Contribution section:

- Nil for non-contributory Senior Staff
- 3-5% of pensionable salaries for contributory Senior Staff
- 3-6% of pensionable salaries for other members

The rates paid to the Scheme are subject to minimum rates imposed by the MFR legislation.

Notes to the financial statements

at 31 December 2019

18. Pensions (continued)

Expected contributions to the Scheme for the year ending 31 December 2020 are £nil (2019: £8,650,000).

Expected maturity analysis of defined benefit obligations:

At 31 December 2019	Less than a year *£000*	Between 1-2 years *£000*	Between 2-5 years *£000*	Over 5 years *£000*	Total *£000*
Pension benefits	7,211	7,029	25,440	48,433	88,113

The latest formal valuation of the Scheme was as at 30 June 2018. The liabilities for the Scheme have been calculated based on the individual membership data at 30 June 2018, and rolled forward to 31 December 2019, taking account of benefits accruals and payments since the valuation date.

	2019 *£000*	*2018* *£000*
Total market value of assets	333,330	293,473
Present value of the scheme's liabilities	(265,223)	(257,377)
Total surplus in the scheme	68,107	36,096
Net defined benefit asset	68,107	36,096

The expected return on assets has been derived from the expected returns from each of the main asset classes (ie equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available), and the views of investment organisations. These have then been combined, based on the asset portfolio of the Scheme, to determine the overall asset return assumption. At 31 December 2019, this approach suggested an assumption of 1.90% pa (2018: 3.25%).

An analysis of the defined benefit cost for the years ended 31 December 2019 and 31 December 2018 are as follows:

	2019 *£000*	*2018* *£000*
Expected return on pension scheme assets	7,978	7,323
Interest on pension liabilities	(6,858)	(6,517)
Total income included in profit and loss	1,120	806

Notes to the financial statements

at 31 December 2019

18. Pensions (continued)

Analysis of movement in the Scheme's assets and liabilities for years ended 31 December 2019 and 31 December 2018 are as follows:

	2019	*2018*
	£000	*£000*
Return on scheme assets (excluding interest income)	35,087	(18,786)
(Gain) / loss on changes of assumptions	(30,726)	13,915
Total actuarial gain / (loss)	4,361	(4,871)

Reconciliation of defined benefit obligation during the year:

	2019	*2018*
	£000	*£000*
Defined benefit obligation at 1 January	257,377	275,047
Movement in year:	(18,880)	
Past service cost	6,858	1,910
Interest cost	(10,858)	6,517
Benefits paid	37,798	(12,182)
Effect of changes in assumptions	(7,072)	(14,316)
Experience adjustments	265,223	401
Defined benefit obligation at 31 December	257,377	257,377

Reconciliation of defined benefit assets during the year:

	2019	*2018*
	£000	*£000*
Scheme assets at 1 January	293,473	300,168
Movement in year:		
Interest income	7,978	7,323
Actuarial gains/(losses)	35,087	(18,786)
Company contributions	7,650	16,950
Benefits paid	(10,858)	(12,182)
Scheme assets at 31 December	333,330	293,473

Notes to the financial statements

at 31 December 2019

19. Other financial commitments

Prior to the transition to IFRS 16 on 1 January 2019 the company classified leases as either finance or operating leases. The disclosures provided in the prior year in relation to commitments under operating leases are as follows:

At 31 December 2018 the company had total future minimum commitments under non-cancellable operating leases as set out below:

	Land & buildings 2018 £000	*Other 2018 £000*	*Total 2018 £000*
Operating leases, amounts due:			
Within one year	179	51	230
In two to five years	704	56	760
Over five years	-	-	-
	883	107	990

On adoption of IFRS 16 the company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 "Leases". The difference between the operating lease commitments disclosed applying IAS 17 at the end of 2018 and the lease liabilities recognised in initial application is as follows:

	Land & buildings £000	*Other £000*	*Total £000*
Operating lease commitments at 31 December 2018	883	107	990
Additional lease commitments identified on adoption of IFRS 16	-	28	28
Effect of discounting using the lessee's incremental borrowing rate at the date of initial application of IFRS 16	-	(4)	(4)
Capitalised in fellow subsidiary	(883)	(98)	(981)
Liabilities recognised on initial application of IFRS 16 as at 1 January 2019	-	33	33

Commitments at 31 December 2018 included £883,000 related to real estate occupied by Univar Specialty Consumables Limited, and £98,000 relating to company cars driven by employees of Univar Specialty Consumables Limited. On adoption of IFRS 16 the real estate and the company cars have been capitalised in a fellow group company, Univar Solutions UK Limited as the legal lessee of the real estate and cars. Univar Solutions UK Limited recharges Univar Specialty Consumables Limited a charge equivalent to the cost of the lease expense.

20. Related party transactions

The directors have taken advantage of the exemption under paragraph 8(k) of FRS 101 and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Notes to the financial statements

at 31 December 2019

21. Ultimate parent undertaking controlling company

The immediate parent undertaking is Univar Europe Limited, which is registered in England and Wales.

Univar Solutions Inc is the ultimate parent undertaking.

Group financial statements, incorporating Univar Specialty Consumables Limited, for year ended 31 December 2019 were drawn up by Univar Solutions Inc, a company incorporated in the USA. The consolidated financial statements of Univar Solutions Inc have been filed at Companies House in conjunction with the financial statements of the ultimate UK parent company, Ulixes Limited.

22. Post balance sheet events

Subsequent to the year end, the coronavirus (COVID-19) outbreak has spread rapidly across the world, impacting many economies and markets.

The company has been impacted by the pandemic as there has been some reduction in demand for the products supplied to certain sectors of the economy. At all times the company has been in compliance with government guidance.

The management have responded with an increased focus on cost control, discretionary spend and working capital management. At the date of this report the coronavirus outbreak remains an ongoing event and whilst the Directors consider it unlikely that any impairment in intangible asset carrying value will arise the threat of impairment cannot be described as remote. The pandemic is considered an event which is indicative of conditions which arose after the reporting period and as such any eventual impairment as a result would be booked to accounting periods subsequent to 31 December 2019