

**Akzo Nobel Packaging Coatings Limited**

**Annual Report and Financial  
Statements**

Registered number 059837

For the year ended 31 December 2017

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## Strategic Report

The directors present their Strategic Report for the year ended 31 December 2017.

### Results for the year

The Company made a profit before taxation of £1,407,000 (2016: £10,467,000) for the year and turnover of £101,222,000 (2016: £73,171,000).

The Company has net assets of £46,767,000 (2016: £45,373,000)

### Principal Activities and Business Review

The principal activity of the Company is the manufacture and sale of lacquers, coatings, inks, varnishes and coil coatings for the food and non-food packaging industry and for specialised industrial use. The Company operates three sites: one in Birmingham, one in Hull and one in Deeside.

Effective 31st January 2017, the Company purchased the assets of Deeside Coatings Limited in order to expand its footprint in the Coil Coatings market segment within the UK.

### Current trading

The management of the business and the Company's ability to successfully execute its strategy for growth are subject to a number of key business risks and uncertainties. These include unexpected legislation over materials of concern, international competition in the market and product availability (i.e. changes or shortages to raw material supply at short notice).

The main growth of the business since 2016 is reflected in the acquisition of Deeside Coatings Limited.

In Packaging Coatings we were able to maintain market share after a very competitive tender process which followed the consolidation reported in 2016, although raw material prices have risen rapidly and this has impacted our profitability.

By far the biggest impact on the packaging coatings industry in recent years has been the introduction of unexpected legislation against the use of Bisphenol A, a main building block for epoxy based coatings. In 2015 the legislation in France suspending the use of BPA in all forms of direct food contact packaging was apparently at odds with the statements from the regulatory bodies EFSA and FDA, and it therefore initially took the lacquer manufacturers and canmakers by surprise.

However, the industry responded well and new coatings systems with no intentionally added BPA (BPA-NI) were rapidly developed and commercialised in time for the legislation. Akzo Nobel Packaging Coatings Limited has been supplying BPA-NI beverage can spray lacquer, Aqualure G1 60 to our customers in France and those serving France from our Birmingham site for the past two years, maintaining our leadership of the steel beverage can market globally.

In early 2016 there was a proposal in Europe to revise the migration limit of BPA from 0.6mg/kg to 0.05mg/kg after a re-evaluation based on latest scientific evidence. The revised limit (which also applies in France) now opens up the possibility of using epoxy based coatings again as they are well within the revised limit for BPA migration, and our tried and trusted products, Aqualure 900 and Aqualure 905 which have been commercial for over 25 years are likely to remain commercial in Europe alongside our recent BPA-NI developments.

### Principal risks and uncertainties

As a significant proportion of the Company's turnover is exported the full impact of the Brexit announcement remains unknown, and any change to the value of Sterling against both the Euro and the US Dollar will have an impact on future results. The Company's Brexit plan for high volume products such as inside spray lacquer in the event of "no deal" is to build stocks in advance on mainland Europe for all canmaking customers before the start of the normally busy spring season, providing the Company is able to obtain and store the necessary raw materials, the majority of which are sourced from mainland Europe. The business holds regular management meetings to review the issues and to identify strategies to mitigate such risks.

## Strategic Report *(continued)*

### Future Developments

The external commercial environment is expected to remain very competitive in the coming year as competitors seek to increase volumes in the mature markets. Significant expenditure on Research and Development will continue as further technologies are developed to provide market leading coating solutions to the Company's customers. For example, in 2017 the Company installed a beverage ends press so it could replicate the most severe tooling requirements for our new BPA-NI beverage end products being developed in the Company's Birmingham laboratories.

### Key performance indicators

The principal key performance indicators affecting the Company are summarised below:

Title	Description	Performance to date
Sales Growth	As a result of the acquisition of BASF Coatings Limited in December 2016 sales revenue was expected to increase.	Turnover increased 38% during 2017
OSHA recordable injuries	2017 TRR target $\leq 1.4$	There was one recordable injury in 2017 in Hull which was a restricted work case. An employee broke his finger whilst moving a drum manually instead of using a barrel lifter.

On behalf of the board

D.J. James  
Director



Date: 8 January 2019

## Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2017.

### Directors

The directors who held office during and up to the date of signing the financial statements were as follows:

D.J. James	
J. Poole	(resigned 19 July 2017)
M. Smalley	
N. Sprigg	(resigned 31 May 2018)

### Dividends

The directors do not recommend the payment of a dividend during the year (2016: £Nil).

### Political Contributions

The Company made no political contributions or incurred any political expenditure during the current or prior financial year.

### Financial Risk Management

Financial risk includes price risk, credit risk, liquidity risk and cash flow risk. These are addressed and managed at a group level as disclosed in the AkzoNobel Report 2017, pages 31 to 35. An overall risk management program seeks to identify, assess and if necessary, mitigate these financial risks in order to minimise potential adverse effects on financial performance.

### Research and development

The Company continues to place great importance in the area of research and development which the directors believe is essential if it is to retain a competitive position in the market.

### Disabled employees

Disabled employees will be given full and fair consideration for vacancies as they occur. Employees who become disabled during their employment will be retrained for suitable alternative employment wherever possible. Training opportunities, career development and promotion prospects for disabled persons are equal to those of all other employees.

### Employee involvement

The policy of providing employees with information about the Company will be continued through various media used by the Company to present such information. A Works Council meets on a regular basis which enables employee representatives to discuss business issues with senior management. An annual bonus scheme is in operation which rewards employees and is linked to the performance of the Company.

### Payment of suppliers

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. Creditor days for the Company at 31 December 2017 were 77 days (2016: 80 days).

## **Directors' Report** (continued)

### **Statement of directors' responsibilities in respect of the Financial Statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent auditors**

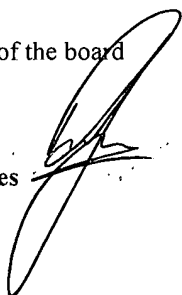
Pursuant to Section 485(3)(c) of the Companies Act 2006, PricewaterhouseCoopers LLP was appointed as the Company's auditors until the next period for appointing auditors.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

**D.J. James**  
Director



The AkzoNobel Building  
Wexham Road  
Slough  
SL2 5DS

Date: 8 January 2019

## **Independent auditors' report to the members of Akzo Nobel Packaging Coatings Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Akzo Nobel Packaging Coatings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2017; the Statement of comprehensive income for the year ended 31 December 2017; the Statement of changes in equity for the year ended 31 December 2017; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## **Independent auditors' report to the members of Akzo Nobel Packaging Coatings Limited (continued)**

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### ***Auditors' 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 auditors' 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 auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Michael Jeffrey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
8 January 2019



**Statement of Comprehensive Income**  
*for the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>101,222</b>	73,171
Cost of sales		(75,025)	(49,288)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>26,197</b>	23,883
Distribution costs		(6,205)	(5,852)
Administrative expenses		(18,823)	(8,023)
Other operating income	<b>3</b>	420	397
		<hr/>	<hr/>
<b>Operating profit</b>		<b>1,589</b>	10,405
Interest receivable and similar income	<b>4</b>	109	62
Interest payable and similar income	<b>4</b>	(291)	-
		<hr/>	<hr/>
<b>Profit before taxation</b>	<b>5</b>	<b>1,407</b>	10,467
Tax on profit	<b>8</b>	(13)	(2,369)
		<hr/>	<hr/>
<b>Profit for the financial year and total comprehensive income</b>		<b>1,394</b>	8,098
		<hr/>	<hr/>

All amounts are derived from continuing operations.

The notes on pages 12 to 24 form a part of these financial statements.

## Statement of Changes in Equity for the year ended 31 December 2017

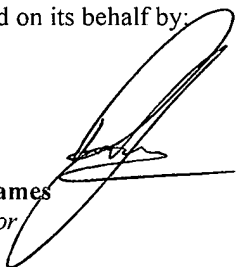
	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	3,572	33,703	37,275
Total comprehensive income			
Profit for the financial year	-	8,098	8,098
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	8,098	8,098
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2016</b>	<b>3,572</b>	<b>41,801</b>	<b>45,373</b>
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2017	3,572	41,801	45,373
	<hr/>	<hr/>	<hr/>
Total comprehensive income			
Profit for the financial year	-	1,394	1,394
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,394	1,394
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>	<b>3,572</b>	<b>43,195</b>	<b>46,767</b>
	<hr/>	<hr/>	<hr/>

**Balance Sheet**  
*at 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Fixed assets</b>			
Intangible assets	9	40,048	1,030
Tangible assets	10	18,356	17,011
		<b>58,404</b>	<b>18,041</b>
<b>Current assets</b>			
Stocks	11	6,721	4,391
Debtors	12	84,792	46,841
		<b>91,513</b>	<b>51,232</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(77,859)</b>	<b>(23,900)</b>
<b>Net current assets</b>		<b>13,654</b>	<b>27,332</b>
<b>Total assets less current liabilities</b>		<b>72,058</b>	<b>45,373</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(25,291)</b>	<b>-</b>
<b>Net assets</b>		<b>46,767</b>	<b>45,373</b>
<b>Capital and reserves</b>			
Called up share capital	15	3,572	3,572
Profit and loss account		43,195	41,801
<b>Total equity</b>		<b>46,767</b>	<b>45,373</b>

These financial statements on pages 9 to 24 were approved by the board of directors on December 2018 and were signed on its behalf by:

**D.J. James**  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Akzo Nobel Packaging Coatings Limited (the “Company”) is a private company limited by shares and is incorporated and domiciled in England, UK. The Company’s registration number is 59837 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, SL2 5DS.

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”) under historical cost convention in pound sterling. The amendments to FRS 101 (2013/14 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with the Companies Act 2006.

The Company’s ultimate parent undertaking, Akzo Nobel N.V. includes the Company in its consolidated financial statements. The consolidated financial statements of Akzo Nobel N.V. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Velperweg 76, P.O Box 9300, 6800 SB Arnhem, The Netherlands.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries and within Akzo group companies;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Akzo Nobel N.V. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The directors have made the necessary enquiries and assessed the Company's financial position and have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. The directors therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other creditors* Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### 1.5 Tangible fixed assets

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- land and buildings            40 years
- plant and equipment        10 - 25 years
- other operating assets       3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Intangible assets, goodwill and negative goodwill

##### *Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generated units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practical to quantify the effect on the financial statements of this departure.

##### *Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

##### *Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

##### *Amortisation*

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

#### 1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### 1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.9 Turnover

Turnover represents the amounts, excluding VAT, receivable by the Company for goods and services supplied to customers in the ordinary course of business. Turnover is recognised when products have been delivered or services have been rendered and collectability is reasonably assured.

#### 1.10 Expenses

##### *Operating lease payments*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Expenses (continued)

*Interest receivable and Interest payable* - Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 1.12 Pensions

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Defined benefit plans*

Some of the Company's employees are members of group wide defined benefit pension plans. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the legally sponsoring employer, which is Akzo Nobel UK Ltd / Imperial Chemical Industries Limited. The Company then recognises a cost equal to its contribution payable for the period. The contributions payable in respect of active members by the participating entities are determined following each triennial valuation conducted by a qualified independent actuary, and charged as a percentage of salary costs.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.13 New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017, have had a material impact on the Company.

#### 1.14 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the 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 addressed below.

##### (a) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

##### (b) Inventory provisioning

The Company is subject to changing customer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

##### (c) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

##### (d) Impairment of non-financial assets

When assessing impairment of non-financial assets, management considers factors including the net asset value, nature of the entity, historical experience (such as political environment) and future cash flows.

##### (e) Provisions

Provisions are based on estimates of future events that the Company has provided for now. This includes items such as restructuring, future plans of operations and environmental provisions. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, the geological circumstances, the necessity of employing particular methods of remediation, actions by governmental agencies or private parties, or other factors.



## Notes (continued)

### 2 Turnover

Geographical analysis of turnover (on a destination basis) is as follows:

	2017 £000	2016 £000
United Kingdom	38,737	17,288
Europe	50,270	45,018
Middle East	8,359	7,862
Far East	2,003	1,873
America	715	385
Asia, Australasia and Africa	1,138	745
	<u>101,222</u>	<u>73,171</u>

### 3 Other operating income

	2017 £000	2016 £000
Royalty income	420	397
	<u>420</u>	<u>397</u>

### 4 Interest

#### Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group undertakings	109	62
	<u>109</u>	<u>62</u>

#### Interest payable and similar expenses

	2017 £000	2016 £000
Interest payable to group undertakings	(291)	-
	<u>(291)</u>	<u>-</u>

## Notes (continued)

### 5 Profit before taxation

	2017 £000	2016 £000
<i>Profit before taxation is stated after charging</i>		
Depreciation	2,585	2,220
Intangibles amortisation	2,990	115
Operating lease rentals:		
Plant and machinery	197	109
Other	457	209
Research and development expenditure	5,382	4,437
	<u>          </u>	<u>          </u>
<i>Auditors' remuneration:</i>		
Audit of these financial statements pursuant to legislation	50	50
	<u>          </u>	<u>          </u>

### 6 Remuneration of directors

	2017 £000	2016 £000
Directors' emoluments in respect of qualifying services	248	348
Company contributions to defined benefit pension schemes	82	93
Company contributions to defined contributions schemes	0	11
	<u>          </u>	<u>          </u>

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	3	3
	<u>          </u>	<u>          </u>

### Remuneration of highest paid director

	2017 £000	2016 £000
Directors' emoluments in respect of qualifying services	117	111
Company contributions to defined benefit pension schemes	36	38
	<u>          </u>	<u>          </u>

## Notes (continued)

### 7 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as follows:

	Number of employees	
	2017	2016
Office and management	50	51
Research and development	59	46
Production	121	100
	<hr/>	<hr/>
	230	197
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	9,214	7,692
Social security costs	993	803
Other pension costs	2,310	2,038
	<hr/>	<hr/>
	12,517	10,533
	<hr/>	<hr/>

### 8 Tax on profit

The tax charge consists of the following:

	2017	2016
	£000	£000
<i>UK corporation tax</i>		
Current tax on income	993	2,295
	<hr/>	<hr/>
Total current tax	993	2,295
<i>Deferred tax (see note 14)</i>		
Current year	(1,038)	(377)
Effects of changes in tax rate	58	451
	<hr/>	<hr/>
Tax on profit	13	2,369
	<hr/>	<hr/>

## Notes (continued)

### 8 Tax on profit (continued)

	2017 £000	2016 £000
<i>Current tax reconciliation</i>		
Profit for financial year	1,394	8,098
Tax charge on profit	13	2,369
	<hr/>	<hr/>
Profit before taxation	1,407	10,467
	<hr/>	<hr/>
Tax on profit before taxation at 19.25% (2016: 20%)	271	2,093
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	100	147
UK to UK transfer pricing adjustment	(416)	(322)
Tax rate changes	58	451
	<hr/>	<hr/>
Total current tax (see above)	13	2,369
	<hr/>	<hr/>

In the March 2013 Budget Statement a corporation tax rate change was announced reducing the rate from 21% to 20% effective 1 April 2015. In the Summer 2015 Budget Statement this rate was reduced from 20% to 19% effective 1 April 2017, with a further reduction to 18% effective 1 April 2020, and In the March 2016 Budget Statement it was announced this rate would reduce from 18% to 17% effective 1 April 2020. All of these changes have been substantively enacted at the balance sheet date.

As a result of these changes, the effective current tax rate applicable for 2016 was 20% and the rate applicable for 2017 was 19.25%. The rate applied to deferred tax balances is 17% as these balances are not expected to be utilised until after this rate takes effect

## Notes (continued)

### 9 Intangible assets

	Goodwill £000	Concessions, patents, licences, trademarks and similar rights and assets £000	Total £000
<b>Cost</b>			
At beginning of year	-	1,720	1,720
Additions	21,023	20,985	42,008
At end of year	21,023	22,705	43,728
<b>Accumulated amortisation and impairment</b>			
At beginning of year	-	690	690
Charge for the year	-	2,990	2,990
At end of year	-	3,680	3,680
<b>Net book value</b>			
At 31 December 2017	21,023	19,025	40,048
At 31 December 2016	-	1,030	1,030

Amortisation of £2,990,000 (2016: £115,000) is included in the statement of comprehensive income in administrative expenses.

### 10 Tangible assets

	Land and buildings £000	Plant and machinery £000	Other operating assets £000	Total £000
<b>Cost</b>				
At beginning of year	5,913	30,179	4,121	40,213
Additions	180	3,448	335	3,963
Disposals	-	(58)	(13)	(71)
At end of year	6,093	33,569	4,443	44,105
<b>Accumulated Depreciation</b>				
At beginning of year	2,820	16,705	3,677	23,202
Charge for the year	146	2,220	219	2,585
Disposals	-	(29)	(9)	(38)
At end of year	2,966	18,896	3,887	25,749
<b>Net book value</b>				
At 31 December 2017	3,127	14,673	556	18,356
At 31 December 2016	3,093	13,474	444	17,011

Included in plant and machinery above is £2,957,398 (2016: £1,985,316) in respect of assets under construction which have not been depreciated. Included in the freehold land and buildings is £1,320,798 (2016: £1,237,943) in respect of land which is not depreciated. Included in other operating assets is £122,975 (2016: £222,287)

## Notes (continued)

### 11 Stocks

	2017 £000	2016 £000
Raw materials and consumables	2,587	1,387
Work in progress	720	420
Finished goods	3,414	2,584
	<u>6,721</u>	<u>4,391</u>

The cost of inventories recognised as an expense and included in cost of sales amount to £61,508,161 (2016: £40,863,694). The write down of stock to net realisable value amounted to £(197,934) (2016: £(333,684)).

### 12 Debtors

	2017 £000	2016 £000
Debtors: amounts falling due within one year:		
Trade debtors	17,963	13,903
Amounts owed by parent undertaking and fellow subsidiary undertakings	53,879	28,752
Other debtors	12,822	1,346
Prepayments	128	144
Deferred tax (see note 14)	-	2,556
	<u>84,792</u>	<u>46,701</u>
Debtors: amounts falling due after more than one year:		
Other debtors	-	140
	<u>84,792</u>	<u>46,841</u>

### 13 Creditors

	2017 £000	2016 £000
Creditors: amounts falling due within one year:		
Trade creditors	55,724	10,043
Amounts owed to group undertakings	5,099	4,033
Corporation tax	3,287	6,521
Deferred tax	94	-
Other creditors	11,917	488
Accruals	1,738	2,815
	<u>77,859</u>	<u>23,900</u>
Creditors: amounts falling due after more than one year:		
Amounts owed to group undertakings	25,291	-
	<u>103,150</u>	<u>23,900</u>

## Notes (continued)

### 14 Deferred tax

	<b>Deferred Taxation asset/(liability)</b>	
	<b>2017 £000</b>	<b>2016 £000</b>
At beginning of year	2,556	2,630
Charge/(credit) to the profit and loss account	980	(74)
Liability arising on the transfer of intangible fixed assets	(3,630)	-
<b>At end of year</b>	<b>(94)</b>	<b>2,556</b>

The amounts for deferred taxation are set out below:

	<b>2017 £000</b>	<b>2016 £000</b>
Capital allowances	3,536	2,556
Other timing differences	(3,630)	-
<b>Deferred tax asset/(liability)</b>	<b>(94)</b>	<b>2,556</b>

### 15 Called up share capital

	<b>2017 £000</b>	<b>2016 £000</b>
<i>Allotted, called up and fully paid:</i>		
7,143,820 (2015: 7,143,820) ordinary shares of 25p each	1,786	1,786
7,143,820 (2015: 7,143,820) deferred shares of 25p each	1,786	1,786
	<b>3,572</b>	<b>3,572</b>

*As regards voting:*

The deferred shares shall carry no rights to receive notice of or to attend or vote at any general meeting of the Company.

### 16 Capital commitments

	<b>2017 £000</b>	<b>2016 £000</b>
Amounts contracted for but not provided for in the financial statements	716	1,148

These amounts relate to capital improvement projects that have commenced during the year but have not yet completed. The capital items are capitalised once work is completed.

## Notes (continued)

### 17 Commitments under operating leases

Commitments in respect of operating lease rentals of plant and machinery, office equipment and buildings to be paid during the next year are:

	2017 £000	2016 £000
Operating leases which expire:		
Within one year	441	112
Between one and five years	1,477	91
More than five years	1,075	-
	<hr/>	<hr/>
	2,993	203
	<hr/>	<hr/>

### 18 Pension schemes

#### Defined benefit plans

The Company is a participant in two group wide defined benefit schemes – Akzo Nobel (CPS) Pension Scheme (“CPS”) and ICI Pension Fund (“the ICI PF”). As the legal sponsoring entity for these schemes, the financial statements of Akzo Nobel UK Ltd and Imperial Chemical Industries Limited respectively identify and disclose the information in the plans as prescribed by IAS19 and these financial statements are available from the Company’s registered office at The AkzoNobel Building, Wexham Road, Slough, SL2 5DS or from Companies House. The contributions payable in respect of active members by the participating entities are determined following each triennial valuation conducted by a qualified independent actuary and charged as a percentage of salary costs. The charge recognised by active members in 2017 was £1,384,000 (2016: £1,530,000). In 2014 and previous years, the contributions payable in respect of any funding deficit was charged to non sponsoring entities based on a historical analysis of liabilities related to businesses that historically operated within that legal entity. From 2015, the group wide policy has been updated and funding deficits are not charged to sponsoring entities.

#### Defined contribution plans

The Company also operates a defined contribution pension plan. The total expense relating to this plan in 2017 was £974,000 (2016: £508,000)

### 19 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a wholly owned subsidiary of Dulux Limited, which is the immediate parent company, a company incorporated in England and Wales. The ultimate controlling party is Akzo Nobel N.V.

The only group in which the results of the Company are consolidated is that headed by Akzo Nobel N.V., the ultimate parent company, incorporated in the Netherlands. Copies of the Akzo Nobel N.V. Annual Report and Accounts are available to the public and may be obtained from Velperweg 76, P.O.Box 9300, 6800 SB Arnhem, the Netherlands.