

# **Akzo Nobel Aerospace Coatings Limited**

## **Annual Report and Financial Statements**

Registered number 00938151

31 December 2018



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## Strategic Report

The directors present their Strategic Report for the year ended 31 December 2018.

### Principal activities

The principal activities of the Company are the sale and distribution of coatings to the aerospace industry.

### Business review

The Company's business is part of the AkzoNobel Performance Coatings Business Unit of the group headed by Akzo Nobel N.V. Full information on the strategy of the Business Unit can be found in the Financial Statements, pages 18 – 21, of the ultimate parent company; Akzo Nobel N.V. Copies are available as indicated in note 19 of the financial statements.

### Strategic developments

Our strategy to develop our market segments of our business continues to enhance our results with both accounts growing above the market, which, as full system partner has provided good and profitable growth for the business.

### Operational performance

In 2018 both volume and sales did not grow and there was a shift from volume third parties to intercompany because the invoicing to one main MRO customers IAC Limited, was transferred to ANCR BV in Netherlands. This was done to reduce complexity for both IAC and Akzo Nobel as a whole. Despite the increase of the average selling price to third parties with 9%, total sales increased only slightly, as this was fully compensated by the transfer of volumes and sales to Intercompany. Structural market did well, both sales and volumes increased in 2018.

### Key performance indicators

The Company assesses business performance over many indicators; both stand alone and also as a key part of the Speciality Coatings Business Unit. Full analysis of this business area is provided in the annual report, pages 34–37, of Akzo Nobel N.V. as indicated above. The standalone indicators are presented in the below table.

Indicator	2018	2017	Delta
Turnover from sale of product	£10,752,000	£10,745,000	£7,000
Profit before taxation	28.03%	29.1%	0.8%

Turnover includes both third parties and intercompany sales.

### Research and development

R&D is performed at central level in the Netherlands.

### Future developments

Brexit causes many uncertainties as Akzo Nobel Aerospace Coatings Limited operates in an international market

### Principal risks and uncertainties

#### Economy

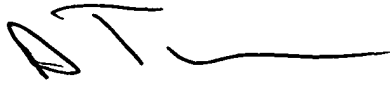
The Company recognises that the possible risks to its operations are unfavourable exchange rates and its exposure to credit risks, which are managed through reducing the Company's exposure to foreign currency and strict adherence to the Group's credit policy.

## Strategic Report (*continued*)

### Going concern

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.

On behalf of the Board



**D. Turner**  
*Director*

Registered office:  
The AkzoNobel Building  
Wexham Road  
Slough  
SL2 5DS

30 September 2019

## Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2018.

### Registered Office

On 1 October 2016, the Company changed its registered office address from 26th Floor, Portland House, Bressenden Place, London SW1E 5BG to The AkzoNobel Building, Wexham Road, Slough, United Kingdom, SL2 5DS.

### Results and dividends

The results for the year ended 31 December 2018 are set out on page 8 of the financial statements. The profit for the financial year was £2,505,000 (2017: £2,664,000). The net assets at 31 December 2018 were £11,064,000 (2017: £8,559,000). The directors do not recommend the payment of a dividend (2017: nil)

### Directors

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

S. Ferriday	Resigned November 7 <sup>th</sup> 2018
G. Windsor	Resigned June 30 <sup>th</sup> 2018
D. Turner	Appointed August 31 <sup>st</sup> 2018
M. Dieben	Appointed September 28 <sup>th</sup> 2018
A. Talbot	Appointed January 10 <sup>th</sup> 2019
M. Richardson	Appointed January 10 <sup>th</sup> 2019

### Employees

The Company's policy is to consider all job applications by disabled persons sympathetically in relation to the duties, responsibilities and physical requirements of the vacancies, the aptitudes of the applicants, including the nature of the disability, the working environment and the facilities required for the effective performance of the job by the applicant.

If any existing employee becomes disabled, the Company will examine any effects of the disability on current job performance and take all practicable steps to maintain the employees' continued employment through the provision of appropriate retraining, changes in working facilities or, with mutual agreement, the provision of alternative employment more closely related to the employees' capabilities.

The Company will continue to identify and monitor the employment of Registered Disabled persons to determine its position in relation to the current statutory requirements.

### 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.

### Political contributions

The Company did not make any political donations or incurred any political expenditure during the current or prior year.

### Research and development and Future developments

Reference is made to the strategic report.

### 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 2018, pages 131 to 132. 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

## Directors' Report (continued)

### Directors indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### 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 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.

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.

### Directors' confirmations

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

PricewaterhouseCoopers LLP have been appointed as the Company's auditors, holding office until to the end of the next period for appointing auditors in accordance with section 485(4c) of the Companies Act 2006.

On behalf of the Board



**D. Turner**  
Director

The AkzoNobel Building  
Wexham Road  
Slough  
SL2 5DS

30 September 2019

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

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

#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; 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**

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

#### **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.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify 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.

### ***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 2018 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 Directors' Responsibilities Statement set out on page 4, 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.



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

### **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.

*Miles Saunders*

Miles Saunders (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading

30 September 2019

**Statement of Comprehensive Income**  
*for the year ended 31 December 2018*

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Turnover	4	10,752	10,745
Cost of sales		(4,521)	(4,393)
<b>Gross profit</b>		<b>6,231</b>	<b>6,352</b>
Distribution costs		(619)	(651)
Administrative expenses		(2,661)	(2,588)
<b>Operating profit</b>		<b>2,951</b>	<b>3,113</b>
Interest receivable and similar income	6	63	9
<b>Profit before taxation</b>		<b>3,014</b>	<b>3,122</b>
Tax on profit	9	(509)	(458)
<b>Profit and total comprehensive income for the financial year</b>		<b>2,505</b>	<b>2,664</b>

**Balance sheet**  
**at 31 December 2018**

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Tangible assets	<i>10</i>	<b>149</b>	<b>46</b>
<b>Current assets</b>			
Stocks	<i>11</i>	<b>255</b>	<b>242</b>
Debtors (including £ 92k (2017: £ 88k) due after more than one year)	<i>12</i>	<b>13,643</b>	<b>10,395</b>
		<hr/>	<hr/>
<b>Creditors : amounts falling due within one year</b>	<i>13</i>	<b>13,898</b> <b>(2,865)</b>	<b>10,637</b> <b>(2,124)</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>11,033</b>	<b>8,513</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>11,182</b>	<b>8,559</b>
<b>Provision for liabilities and charges</b>	<i>14</i>	<b>(118)</b>	<b>-</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>11,064</b>	<b>8,559</b>
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>16</i>	<b>-</b>	<b>-</b>
Share premium account		<b>350</b>	<b>350</b>
Retained earnings		<b>10,714</b>	<b>8,209</b>
		<hr/>	<hr/>
<b>Total Shareholders' funds</b>		<b>11,064</b>	<b>8,559</b>
		<hr/>	<hr/>

The notes on pages 11 to 23 are an integral part of these financial statements.

These financial statements of Akzo Nobel Aerospace Coatings Limited ( registered number 00938151) on pages 8 to 23 were authorised for issue by the board of directors on 30 September 2019 and signed on its behalf by:



**D. Turner**  
Director

30 September 2019

**Statement of changes in equity**  
*for the year ended 31 December 2018*

	<b>Called up share capital £000</b>	<b>Share Premium Account £000</b>	<b>Retained earnings £000</b>	<b>Total shareholders' funds £000</b>
Balance at 1 January 2017	-	350	5,545	5,895
Profit for the financial year	-	-	2,664	2,664
Total comprehensive income for the financial year	-	-	2,664	2,664
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>350</b>	<b>8,209</b>	<b>8,559</b>

	<b>Called up share Capital £000</b>	<b>Share Premium Account £000</b>	<b>Retained earnings £000</b>	<b>Total shareholders' funds £000</b>
Balance at 1 January 2018	-	350	8,209	8,559
Profit for the financial year	-	-	2,505	2,505
Total comprehensive income for the financial year	-	-	2,505	2,505
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>350</b>	<b>10,714</b>	<b>11,064</b>

## Notes to the financial statements

### 1 General information

Akzo Nobel Aerospace Coatings Limited (the “Company”) is a private Company limited by shares and is incorporated and domiciled in the UK. The Company registration number is 00938151 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, United Kingdom SL2 5DS.

### 2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

#### 2.1 Basis of preparation

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 financial statements are prepared on the historical cost basis.

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, PO 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 Statement of Compliance with IFRS;
- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions entered in to by two or more members of a wholly owned group,
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- 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:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.
- Certain disclosures required by IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors.

## Notes to the financial statements *(continued)*

### 2 Accounting policies *(continued)*

#### 2.2 *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.

#### 2.3 *New standards, amendments and IFRIC interpretations*

In 2018 the most significant changes in accounting policies adopted by the Akzo Nobel Group relate to adoption of two new standards IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments". These standards have no material impact on the financial statements of the Company.

#### **Impairment model**

IFRS 9 introduces a new impairment model, whereby recognition of an allowance for expected credit losses on financial assets is required, which deviates from the recognition of incurred credit losses under IAS 39. The new impairment model is applicable for debt instrument financial assets measured at amortized cost, for debt instrument financial assets measured at fair value through Other comprehensive income, for lease receivables, contract assets, loan commitments and certain financial guarantee contracts.

The implementation of IFRS 9 has not led to a recognition of any additional impairment as at 1 January 2018.

#### 2.4 *Foreign currency translation*

##### *(a) Functional and presentation currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

##### *(b) Transactions and balances*

Transactions in foreign currencies are translated to the Company's functional currency 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 statement of comprehensive income.

#### 2.5 *Fixed assets*

All tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of tangible fixed assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

## Notes to the financial statements *(continued)*

### 2 Accounting policies *(continued)*

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings and leasehold improvements	10 to 15 years
Plant and equipment	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

#### 2.6 Inventories

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### 2.7 Debtors

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Since the total amount of impairment losses under IFRS 9 is not significant no separate disclosure was made in the statement of income.

#### 2.8 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

#### 2.10 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

## Notes to the financial statements *(continued)*

### 2 Accounting policies *(continued)*

#### 2.11 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.12 Employee benefits

##### *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 statement of comprehensive income 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.

#### 2.13 Turnover

The Company's business consists of selling of paints and ancillary products to customers at contractually determined prices and conditions without any additional services. Although the transfer of risks and rewards is not the only criterion to be considered to determine whether control over the goods has transferred, it is in most situations considered to be the main indicator of the customer's ability to direct the use of and obtain the benefits from the asset and largely also coincides with the physical transfer of the goods and the obligation of the customer to pay.

Variable considerations, including among others rebates, bonuses, discounts and payments to customers, are accrued for as performance obligations are satisfied and revenue is recognized. Variable considerations are only recognized when it is highly probable that it is not subject to significant reversal. In case of expected returns, no revenue is recognized for such products, but a refund liability and an asset for the right to recover them to be returned products are recorded.



## Notes to the financial statements *(continued)*

### 2 Accounting policies *(continued)*

A provision for warranties is recognized when the underlying products or services are sold, generally based on historical warranty data. Revenue is recognized net of rebates, discounts and similar allowances, and net of sales tax.

#### 2.14 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

#### 2.15 Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### 2.16 Research and development expenditure

Expenditure on research and development is charged to profit in the year in which it is incurred. If relevant criteria are met, it would be capitalised.

#### 2.17 Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 3 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.

#### 3.1 Critical accounting estimates and assumptions

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) Inventory provisioning*

The company is subject to changing consumer demands and fashion trends. 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.

##### *(b) 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.

##### *(c) Deferred tax asset recognition*

Deferred tax assets are only recognized on losses to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised. This is based upon future taxable profit forecasts of the Company.

## Notes to the financial statements *(continued)*

### 4 Turnover

Analysis of turnover by geography:

	2018 £000	2017 £000
United Kingdom	9,155	9,163
Rest of Europe	1,379	1,480
Rest of World	218	102
	<u>10,752</u>	<u>10,745</u>

Analysis of turnover by category:

	2018 £000	2017 £000
Sale of goods	10,752	10,745
	<u>10,752</u>	<u>10,745</u>

IFRS 15 replaces existing revenue recognition guidance in IFRS. It introduces a five-step model to determine when to recognize revenue and at what amount, based on transfer of control over goods or services to the customer. The Company adopted this new standard as from 1 January 2018, applying the modified retrospective approach only to contracts that were not completed on 1 January 2018, without restatement of its 2017 comparative figures.

### 5 Expenses and auditors' remuneration

	2018 £000	2017 £000
Audit fees payable to the Company's auditors	10	35
Inventory recognised as an expense	4,521	4,393
Rental expenses – land and buildings	116	88
Depreciation charged to the statement of comprehensive income	34	16
FX (gains)/losses on accounts receivable and payable	(23)	22
Lease expenses - Others	39	3
	<u></u>	<u></u>

### 6 Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group undertakings	63	9
	<u></u>	<u></u>

## Notes to the financial statements (continued)

### 7 Remuneration of directors

	2018 £000	2017 £000
Aggregated amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes and termination benefits.	219	178
Company contributions to: Money purchase pension schemes	8	13
Defined benefit schemes	-	35
	<u>219</u>	<u>178</u>

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Company contributions to defined benefit schemes	1	2
	<u>1</u>	<u>2</u>

Directors of the Company also provide qualifying services to other Group companies. Director's time is not appointed and their costs are not allocated between Group companies.

The remuneration of directors paid by other Group companies for services to the group as a whole and not recharged including a significant proportion to this Company is £nil (2017: £nil).

### Highest paid director

The highest paid director's emoluments were as follows:

	2018 £000	2017 £000
Total amount of emoluments and amounts (excluding shares) receivable under Long-term incentive schemes and termination benefits.	219	121
Company contributions to: Money purchase pension schemes	8	36
	<u>219</u>	<u>121</u>

The highest paid director is no member of the Company's defined benefit pension scheme and had an accrued annual pension of £8,000 (2017: £36,000) under the scheme at the end of the year.

### 8 Staff numbers and costs

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

	2018 Number	2017 Number
By activity		
Distribution and sales	19	21
	<u>19</u>	<u>21</u>

## Notes to the financial statements *(continued)*

### 8 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	848	909
Social security costs	105	125
Other Pension costs (see note 18)	225	268
	<u>1,178</u>	<u>1,302</u>

### 9 Tax on profit

#### Recognized in the statement of comprehensive income

##### *Analysis of charge in year*

	2018 £000	2017 £000
<i>UK corporation tax</i>		
Current tax charge for the year	513	389
Adjustments in respect of prior year	-	70
Total current tax	<u>513</u>	<u>459</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(4)	(1)
Total deferred tax credit	<u>(4)</u>	<u>(1)</u>
Tax charge on profit	<u>509</u>	<u>458</u>

#### Reconciliation of standard tax rate

	2018 £000	2017 £000
Profit before taxation	3,014	3,122
Tax using UK corporation tax rate 19% (2017: 19.25%)	572	601
Adjustments in respect of prior years	-	70
Expenses not deductible for tax purposes – other disallowable	4	5
UK to UK transfer pricing adjustment	(67)	(218)
Total tax charge	<u>509</u>	<u>458</u>

## Notes to the financial statements (continued)

### 9 Tax on profit (continued)

#### *Factors that may affect future current and total tax charges*

In the Summer 2015 Budget Statement a corporation tax rate change was announced reducing the rate from 20% to 19% effective 1 April 2017, with a further reduction to 18% effective 1 April 2020. Both of these changes were substantively enacted on 26 October 2015 and therefore the effective current tax rate applicable during 2017 was 19.25%. The rate applicable during 2018 was 19%.

In the March 2016 Budget Statement a corporation tax rate change was announced reducing the rate from 18% to 17% effective 1 April 2020. Deferred tax assets at 31 December 2017 and 31 December 2018 have been recognised at 17%.

#### *UK to UK transfer pricing adjustment*

The transfer pricing adjustment, relates to an allocation of the top up contributions to the defined benefits scheme, of which the Company is a participating entity.

### 10 Tangible assets

	Land and buildings £000	Plant and machinery £000	Total £000
<b>Cost</b>			
At beginning of year	230	439	669
Additions	116	21	137
Retirements	-	(39)	(39)
Internal transfer	40	(40)	-
	<hr/>	<hr/>	<hr/>
At end of year	386	381	767
	<hr/>	<hr/>	<hr/>
<b>Accumulated Depreciation</b>			
At beginning of year	(230)	(393)	(623)
Charge for year	(31)	(3)	(34)
Retirements	-	39	39
	<hr/>	<hr/>	<hr/>
At end of year	(261)	(357)	(618)
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>125</b>	<b>24</b>	<b>149</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	46	46
	<hr/>	<hr/>	<hr/>

### 11 Stocks

	2018 £000	2017 £000
Finished goods and goods purchased for resale	255	242
	<hr/>	<hr/>

## Notes to the financial statements *(continued)*

### 12 Debtors

	2018 £000	2017 £000
Trade debtors	1,867	1,504
Amounts owed by group undertakings: due in less than one year	11,676	8,759
Other receivables	8	20
Prepayments and accrued income	-	24
Deferred tax asset ( note 15 )	92	88
	<hr/>	<hr/>
	13,643	10,395
Due within one year	13,551	10,307
Due after more than one year	92	88
	<hr/> <hr/>	<hr/> <hr/>

Amounts owed by group undertakings include a balance of £11,574,000 (2017: £8,130,000) that is repayable on demand. Interest is charged monthly based on 1-month LIBOR -10 basis points. Remaining amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Included in the deferred tax asset above are amount due after more than one year of £92,000 (2017: £88,000).

### 13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	50	71
Amounts owed to group undertakings	814	613
Other creditors	182	167
Group relief	1,326	812
Accruals and deferred income	493	461
	<hr/>	<hr/>
	2,865	2,124
	<hr/> <hr/>	<hr/> <hr/>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Equivalent consideration will be paid to fellow group companies to settle group relief balances

### 14 Provision for liabilities and charges

	2018 £000	2017 £000
Leasehold dilapidation	118	-
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements *(continued)*

### 15 Deferred tax assets

#### *Recognised deferred tax assets*

Deferred tax assets are attributable to the following:

	2018 £000	2017 £000
Deferred tax asset at the beginning of the year	88	87
Credit for the year	4	1
	<hr/>	<hr/>
Deferred tax asset at the end of the year	92	88
	<hr/>	<hr/>

Deferred tax assets are attributable to the following:

	2018 £000	2017 £000
Unutilised capital allowances	92	88
	<hr/>	<hr/>

The deferred tax asset has been recognised as there is sufficient certainty that future probable taxable profits will be available against which the deferred tax asset can be utilised.

### 16 Called up share capital

	2018 £	2017 £
<i>Authorised, allotted, called up and fully paid</i>		
100 (2017: 100) ordinary shares of £1 each	100	100
	<hr/>	<hr/>

All share capital is classified as shareholders' funds. There has been no movement in the number of shares in the current year. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 17 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2018 Land and buildings £000	2017 Land and buildings £000
<b>Operating leases which expire</b>		
Not later than one year	118	88
Later than one year and not later than five years	353	350
	471	438
	<hr/>	<hr/>

## Notes to the financial statements *(continued)*

### 18 Pension Schemes

The Company operates both a defined contribution and a multi-employer defined benefit schemes for its employees.

#### **Akzo Nobel (CPS) Pension Scheme**

##### **Defined benefit plans**

The Company is a participant in two group wide defined benefit scheme – Akzo Nobel (CPS) Pension Scheme (“CPS”) and ICI Specialty Chemicals Pension Fund (“the ISCPF”). As the legally sponsoring entities for these schemes, the financial statements of Akzo Nobel UK Ltd and Imperial Chemical Industries Limited respectively identify and disclose the information on 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 qualified independent actuary, and charged as a percentage of salary costs. The charge recognised in respect of active members in 2018 was £149,000 (2017: £183,000). The group-wide policy is that funding deficits are not charged to non-sponsoring entities.

##### **Defined contribution plans**

The Company operates a defined contribution plan. The total expense relating to this plan was £76,000 (2017 £85,000).

##### **Total Pension Contribution**

The total contribution made by the Company during the year to both defined contribution plan and to the defined benefit plan was £225,000 (2017 £268,000).

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

The Company is a subsidiary undertaking of Akzo Nobel Coatings International B.V., incorporated in the Netherlands.

The largest group in which the results of the Company are consolidated is that headed by Akzo Nobel N.V., incorporated in the Netherlands and that company is considered to be the ultimate parent company. The smallest group in which they are consolidated is that headed by Akzo Nobel Coatings International B.V.

Copies of the Akzo Nobel N.V. Annual Report and Accounts are available to the public and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.