

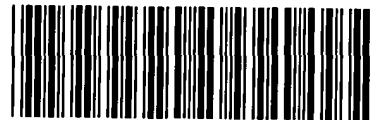
**Akzo Nobel Aerospace Coatings Limited**

**Annual Report and Financial Statements**

Registered number 00938151

31 December 2020

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## Strategic Report

The directors present their Strategic Report for the year ended 31 December 2020.

### 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 Automotive & Specialty 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 2020, pages 20 – 21, of the ultimate parent company; Akzo Nobel N.V. Copies are available as indicated in note 20 of the financial statements.

### Strategic developments

Despite the COVID-19 crisis severely impacting our performance, our strategy remains unchanged: we continue to develop our business segments with the aim of growing above the market.

### Operational performance

In 2020 both volume and turnover decreased due to the impact of COVID-19 on the aerospace industry globally.

### Key performance indicators

The Company assesses business performance over many indicators; both stand alone and also as a key part of the Automotive & Specialty Coatings Business Unit. Full analysis of this business area is provided in the annual report, pages 20-21, of Akzo Nobel N.V. as indicated above. The standalone indicators are presented in the below table.

Indicator	2020	2019	Delta
Turnover from sale of product	£7,868,000	£11,516,000	(£3,648,000)
Pre-tax profit margin (profit before taxation divided by turnover)	19.99%	29.51%	(9.52%)

Turnover includes both third parties and intercompany sales.

### Research and development

R&D is performed at central level in The Netherlands, the US and France.

### Future developments

Although Brexit impacts Akzo Nobel Aerospace Coatings Limited's ability to serve customers in the EU (i.e. customs duties, VAT-implications, new UK regulatory implications are all limiting our ability to supply customers in the EU and also have an adverse effect on customers in the UK due to increased cost and relating higher prices), the directors are of the opinion that the Company is in position to continue its principal activities. Although the outlook is uncertain, we anticipate a (partial) recovery in the aerospace industry as COVID-19 restrictions ease and global demand for air travel picks up. Furthermore, following the acquisition by the wider Group of Mapaero in Q4 2019, we intend to integrate its complimentary product line and further develop our aerospace business.

### 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

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company and its fellow group companies operate is uncertain at this time.

As of the signing date of these financial statements management was not aware of any material adverse effects on the financial statements for the year ended December 31, 2020 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Company.

The directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future, and it is therefore appropriate to adopt the going concern basis in preparation of the financial statements.

### Section 172 Statement

#### a) The likely consequence of any decision in the long term

The Directors understand the business and the evolving environment, including the challenges faced by the business. Based upon the purpose of the Company, to provide more cleaner, environmentally friendly products, the strategy set by the Directors is intended to strengthen the position of being a leading paints and coatings company in its sector, whilst keeping safety and social responsibility fundamental to the business approach. The directors recognise the long-term success of the company is dependent on the stakeholders and the external impact of the business activities on society.

#### b) The interests of the company's employees

We are committed to making our company a brilliant place to work for our people and are recognised as a Top Employer. We utilise a number of different mechanisms to foster two way communication to ensure that we can share information about the Company as well as to listen to the views of our employees. We also have a comprehensive wellbeing and engagement programme which is driven by employees and actively supports inclusivity across the diversity and inclusion spectrum as well as the mental and physical health of our people. We also participate in the Mind Wellness Index in order to listen to our employees regarding their mental health and to identify areas of development.

The Company also supports the learning and career development needs of our employees through our performance management process, functional competency diagnostic tools and virtual learning and development programs which are available on demand, 24/7, including via smartphone.

#### c) The need to foster the company's business relationships with suppliers, customers and others

The company continues to work closely with customers, suppliers and other stakeholders to deliver products and solutions that make their businesses more sustainable, while delivering economic value to all parties in the value chain.

#### d) The impact of the company's operations on the community and the environment

The ultimate parent company makes use of eco-premium solutions to track the performance in creating shared value for our business, our customers and society. There is an ambition across the group to maintain at least 20% of revenue from eco-premium solutions by constantly innovating, based on insights into evolving environmental concerns and societal needs. Eco-premium solutions need to exceed the reference in each market in terms of sustainability performance. It is therefore a moving target, as the reference is constantly improving

## Strategic Report *(continued)*

### Section 172 Statement *(continued)*

e) **The desirability of the company maintaining a reputation for high standards of business conduct**

There are a broad range of processes and procedures in place designed to provide control over the company's operations. These processes and procedures include measures regarding the general control environment, such as a Code of Conduct – including business principles and a corporate complaints procedure. The company follows group directives and authority schedules, as well as specific measures, such as a risk management system, a system of controls and a system of letters of financial representation by responsible management at various levels within the company.

f) **The need to act fairly as between members of the company.**

The ultimate parent company, Akzo Nobel N.V. is a public limited liability company (naamloze vennootschap) established under the laws of the Netherlands, with common shares listed on Euronext Amsterdam. AkzoNobel has a sponsored level 1 American Depositary Receipt (ADR) program and ADRs can be traded on the international OTCQX platform in the US. The company's management and supervision are organized under Dutch law in a so -called two- tier system, comprising a Board of Management (solely composed of executive directors) and a Supervisory Board (solely composed of non -executive directors). The Supervisory Board supervises the Board of Management and ensures a strong external presence in the governance of the company. The two Boards are independent of each other and are accountable to the Annual General Meeting of shareholders (AGM) for the performance of their functions. Our corporate governance framework is based on the company's Articles of Association, the requirements of the Dutch Civil Code, the Dutch Corporate Governance Code (the "Code"), and all applicable laws and regulations, including securities laws. The Code contains principles and best practices for Dutch companies with listed shares. Deviations from the Code are explained in accordance with the Code's "comply or explain" principle.

This governance is driven top down through the group, with senior management monitoring down to local legal entity – Akzo Nobel Aerospace Coatings Limited level

On behalf of the Board



**M. Richardson**  
*Director*

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

12 August 2021

## Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2020.

### Results and dividends

The results for the year ended 31 December 2020 are set out on page 10 of the financial statements. The profit for the financial year was £1,364K (2019: £2,826K). The net assets at 31 December 2020 were £15,254K (2019: £13,890K). The directors do not recommend the payment of a dividend (2019: 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:

M. Dieben

M. Richardson

D. Turner

Resigned 1<sup>st</sup> September 2020

N. Akay Kemahli

Appointed 1<sup>st</sup> September 2020

### 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 2020, pages 121 to 124. 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



M. Richardson  
Director

The AkzoNobel Building  
Wexham Road  
Slough  
SL2 5DS

12 August 2021

# 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 2020 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, which comprise: the Balance Sheet as at 31 December 2020; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



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

## **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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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, 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.

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

## **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection requirements in the jurisdictions in which the company operates and holds data, tax legislation and employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, either in the underlying books and records and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in its significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain;
- Testing unusual journal entries to ensure that these were appropriate in nature and magnitude.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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

## 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 obtained 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 (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
13 August 2021

**Statement of Comprehensive Income**  
*for the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Turnover	4	7,868	11,516
Cost of sales		(3,283)	(4,650)
<b>Gross profit</b>		<b>4,585</b>	<b>6,866</b>
Distribution costs		(652)	(677)
Administrative expenses		(2,395)	(2,879)
<b>Operating profit</b>		<b>1,538</b>	<b>3,310</b>
Interest receivable and similar income	6	39	94
Interest payable and similar expenses	6	(4)	(5)
<b>Profit before taxation</b>		<b>1,573</b>	<b>3,399</b>
Tax on profit	9	(209)	(573)
<b>Profit and total comprehensive income for the financial year</b>		<b>1,364</b>	<b>2,826</b>

The notes on pages 13 to 26 are an integral part of these financial statements.

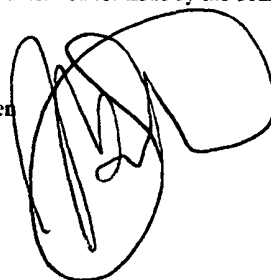
**Balance sheet**  
at 31 December 2020

	<i>Note</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	10	130	165
Right-of-use assets	18	231	346
<b>Current assets</b>			
Stocks	11	275	398
Debtors (including £ 104k (2019: £ 93k) due after more than one year)	12	18,916	17,092
		<u>19,191</u>	<u>17,490</u>
<b>Creditors: amounts falling due within one year</b>	13	<b>(4,064)</b>	<b>(3,754)</b>
<b>Net current assets</b>		<u><b>15,127</b></u>	<u><b>13,736</b></u>
<b>Total assets less current liabilities</b>		<u><b>15,488</b></u>	<u><b>14,247</b></u>
<b>Provision for liabilities and charges</b>	14	<b>(118)</b>	<b>(125)</b>
<b>Creditors: amounts falling due after one year</b>	15	<b>(116)</b>	<b>(232)</b>
<b>Net assets</b>		<u><b>15,254</b></u>	<u><b>13,890</b></u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Share premium account		350	350
Retained earnings		14,904	13,540
<b>Total Shareholders' funds</b>		<u><b>15,254</b></u>	<u><b>13,890</b></u>

The notes on pages 13 to 26 are an integral part of these financial statements.

These financial statements of Akzo Nobel Aerospace Coatings Limited (registered number 00938151) on pages 10 to 26 were authorised for issue by the board of directors on 12 August 2021 and signed on its behalf by:

M. Dieben  
Director



**Statement of changes in equity**  
*for the year ended 31 December 2020*

	<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 2019	-	350	10,714	11,064
Profit for the financial year	-	-	2,826	2,826
Total comprehensive income for the financial year	-	-	2,826	2,826
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>350</b>	<b>13,540</b>	<b>13,890</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 2020	-	350	13,540	13,890
Profit for the financial year	-	-	1,364	1,364
Total comprehensive income for the financial year	-	-	1,364	1,364
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>350</b>	<b>14,904</b>	<b>15,254</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.

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 Christian Neefestraat 2, 1077 WW, Amsterdam, The Netherlands or online at: <https://akzonobel.com/en/investors>

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.

#### 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.

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

### 2. Accounting policies *(continued)*

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

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have a material impact on the company's financial statements.

#### 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.

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.



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

### 2. Accounting policies *(continued)*

#### 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.

The impairment is calculated using the simplified approach which requires recognition of lifetime expected credit loss (no tracking of changes in credit risk).

#### 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.

#### 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.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### 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 employee

##### *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.

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

The company assesses whether a contract is, or contains, a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.  
**As a lessee**

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of cars the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the present value of the lease liability. The right-of-use asset value contains lease prepayments, lease incentives received, the initial direct costs and an estimate of restoration, removal and dismantling costs.

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

### 2. Accounting policies *(continued)*

#### 2.15 Leases *(continued)*

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term or shorter economic life. In addition, the right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The net present value of the lease liability is measured at the discounted value of the lease payments. The liability includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The lease payments comprise the following:

- Fixed payments (including in substance fixed payments), less any lease incentives
- Variable lease payments that depend on an index or a rate
- The exercise price of a purchase option if it is reasonably certain that the option will be exercised
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and
- Amounts expected to be payable under residual value guarantees.

These lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used. Incremental borrowing rates are determined by obtaining interest rates from various external financing sources and make certain adjustments to reflect the term of the lease and type of the asset leased.

At the lease commencement dates, it is assessed whether it is reasonably certain to exercise the extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within the company's control.

At the commencement date, it is assessed whether it is reasonably certain that:

- An option to extend is exercised; or
- An option to purchase is exercised; or
- An option to terminate the lease is not exercised

In making these assessments, all relevant facts and circumstances that create an economic incentive for us to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option are considered.

#### Short-term leases and leases of low-value assets

The company elected not to recognize on the balance sheet right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 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.

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

### 2. Accounting policies *(continued)*

#### 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) 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.

##### *3.2 Other accounting estimates and assumptions*

###### *(b) 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.

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

### 4 Turnover

Analysis of turnover by geography:

	2020 £000	2019 £000
United Kingdom	6,542	10,086
Rest of Europe	838	828
Rest of World	488	602
	<u>7,868</u>	<u>11,516</u>

Analysis of turnover by category:

	2020 £000	2019 £000
Sale of goods	7,868	11,516
	<u>7,868</u>	<u>11,516</u>

### 5 Expenses and auditors' remuneration

	2020 £000	2019 £000
Audit fees payable to the Company's auditors	9	9
Inventory recognised as an expense	3,283	4,650
Depreciation charged to the statement of comprehensive income	150	148
FX losses on accounts receivable and payable	(1)	(1)
	<u></u>	<u></u>

### 6 Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable from group undertakings	39	94
Lease interest payable	(4)	(5)
	<u>35</u>	<u>89</u>

## Notes to the financial statements (continued)

### 7 Remuneration of directors

	2020 £000	2019 £000
Aggregated amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes and termination benefits.	56	141
Company contributions to: Money purchase pension schemes	-	-
Defined benefit schemes	18	27

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Company contributions to defined benefit schemes	1	2

Directors of the Company also provide qualifying services to other Group companies. Directors' 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 (2019: £nil).

#### Highest paid director

The highest paid director's emoluments were as follows:

	2020 £000	2019 £000
Total amount of emoluments and amounts (excluding shares) receivable under Long-term incentive schemes and termination benefits.	56	84
Company contributions to: Money purchase pension schemes	-	-

The highest paid director is a member of the Company's defined benefit pension scheme and had an accrued annual pension of £18,000 (2019: £6,000) 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:

	2020 Number	2019 Number
By activity		
Distribution and sales	23	20
	23	20

## Notes to the financial statements (continued)

### 8 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	787	784
Social security costs	107	107
Other Pension costs (see note 19)	164	172
	<u>1,058</u>	<u>1,063</u>

### 9 Tax on profit

#### Recognized in the statement of comprehensive income

##### Analysis of charge in year

	2020 £000	2019 £000
<i>UK corporation tax</i>		
Current tax charge for the year	220	574
Total current tax	<u>220</u>	<u>574</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(1)
Total deferred tax credit	(11)	(1)
Tax charge on profit	<u>209</u>	<u>573</u>

#### Reconciliation of standard tax rate

	2020 £000	2019 £000
Profit before taxation	1,573	3,399
UK corporation tax rate 19% (2019: 19%)	299	646
Tax Rate Change	(11)	1
Expenses not deductible for tax purposes – other disallowable	6	6
UK to UK transfer pricing adjustment	(85)	(80)
Total tax charge	<u>209</u>	<u>573</u>

## Notes to the financial statements (continued)

### 9 Tax on profit (continued)

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

In the July 2015 Budget Statement the corporation tax rate was reduced from 20% to 19% effective 1 April 2017, with a further reduction to 18% effective 1 April 2020.

In the March 2016 Budget Statement it was announced that the corporation tax rate would reduce from 18% to 17% effective 1 April 2020.

In the March 2020 Budget Statement it was announced that the corporation rate tax would remain at 19% for all periods after 1 April 2017, and the previously substantively enacted rate change to 17% from April 2020 was over written with this 19% tax rate.

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 2019 and 2020 is 19%. The rate applied to deferred tax balances is 17% as at 31 December 2019 and 19% as at 31 December 2020, as these were the substantively enacted rates applicable at the respective balance sheet dates and at which deferred tax balances were expected to crystallise.

In the March 2021 Budget Statement, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. As this change had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

#### *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	386	431	817
At end of year	386	431	817
<b>Accumulated Depreciation</b>			
At beginning of year	(292)	(360)	(652)
Charge for year	(31)	(4)	(35)
Retirements	-	-	-
At end of year	(323)	(364)	(687)
<b>Net book value</b>			
At 31 December 2020	63	67	130
At 31 December 2019	94	71	165



## Notes to the financial statements (continued)

### 11 Stocks

	2020 £000	2019 £000
Finished goods and goods purchased for resale	<u>275</u>	<u>398</u>

Raw materials, consumables, charges in finished goods and work in progress recognized in cost of sales in the year amounted to £3,193,010 (2019: £4,500,174).

### 12 Debtors

	2020 £000	2019 £000
Trade debtors	1,091	1,911
Amounts owed by group undertakings: due in less than one year	17,721	15,040
Other receivables	-	37
Prepayments and accrued income	-	11
Deferred tax asset (note 16)	104	93
	<u>18,916</u>	<u>17,092</u>
Due within one year	18,812	16,999
Due after more than one year	<u>104</u>	<u>93</u>

Amounts owed by group undertakings include a balance of £17,560K (2019: £14,862K) that is repayable on demand. Interest is charged monthly based on 1-month LIBOR +15 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 £104,000 (2019: £93,000).

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

	2020 £000	2019 £000
Trade creditors	66	123
Amounts owed to group undertakings	1,409	851
Other creditors	338	228
Group relief	2,123	1,900
Accruals and Deferred Income	13	538
Current Portion of Lease Liabilities (note 18)	115	114
	<u>4,064</u>	<u>3,754</u>

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.

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

### 14 Provision for liabilities

	2020 £000	2019 £000
Leasehold dilapidation	<u>118</u>	<u>125</u>

### 15 Creditors: Amounts falling due after one year

	2020 £000	2019 £000
Non-current lease liabilities (note 18)	<u>116</u>	<u>232</u>

### 16 Deferred tax assets

#### *Recognised deferred tax assets*

Deferred tax assets are attributable to the following:

	2020 £000	2019 £000
Deferred tax asset at the beginning of the year	93	92
Credit for the year	11	1
	<hr/>	<hr/>
Deferred tax asset at the end of the year	104	93
	<hr/>	<hr/>

Deferred tax assets are attributable to the following:

	2020 £000	2019 £000
Unutilised capital allowances	<u>104</u>	<u>93</u>

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.

## Notes to the financial statements (continued)

### 17 Called up share capital

	2020 £000	2019 £000
<i>Authorised, allotted, called up and fully paid</i>		
100 (2019: 100) ordinary shares of £1 each	100	100

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.

### 18 Leases

i) Amounts recognised in the balance sheet. The balance sheet shows the following amounts relating to leases:

#### Right-of-Use assets

	2020 £000	2019 £000
<i>Land and buildings</i>		
Opening balance at January 1	346	460
Depreciation	(115)	(114)
Balance at December 31	<u>231</u>	<u>346</u>

Akzo Nobel Aerospace Coatings Limited leases office space. Additions to the right-of-use assets during the 2020 financial year were £nil.

#### Lease Liabilities

	2020 £000	2019 £000
Current	115	114
Non-Current	116	232
	<u>231</u>	<u>346</u>

ii) Amounts recognised in the statement of comprehensive income.

	2020 £000	2019 £000
<i>Depreciation of right of use of asset:</i>		
Building	115	114
Interest expense on lease liability	4	5

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

### 19 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 2020 was £102,000 (2019: £107,000). 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 £62,000 (2019: £65,000).

##### 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 £164,000 (2019: £172,000).

### 20 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 Christian Neefestraat 2, 1077 WW, Amsterdam, The Netherlands or online at: <https://akzonobel.com/en/investors>

### 21 Post balance sheet events

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company and its fellow group companies operate is uncertain at this time.

As of the signing date of these financial statements management was not aware of any material adverse effects on the financial statements for the year ended December 31, 2020 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Company.