

Registration number: 01438525

PPG Refinish Distribution Limited

(formerly Brown Brothers Distribution Limited)

Annual Report and Financial Statements

for the Year Ended 31 December 2020



PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

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PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Officers and Professional Advisers

Directors	R Stewart K Brasenell
Registered office	PO Box 162 Needham Road Stowmarket Suffolk IP14 2ZR
Secretary	Pinsent Masons LLP 3 Colmore Circus Birmingham United Kingdom B4 6BH
Bankers	BNP Paribas Fortis Bank S.A.-N.V. 10 Harewood Avenue London United Kingdom NW1 6AA Santander UK Plc 2 Triton Square Regent's Place London United Kingdom NW1 3AN Natwest Brampton Road Newcastle-under-Lyme Staffordshire United Kingdom ST5 0QX
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds United Kingdom LS1 4DL

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the company is to supply products and services to the United Kingdom bodyshop repair market including the sale and distribution of paints, refinish products, tools and bodyshop consumables.

Future activity is expected to remain as expected for the foreseeable future.

Fair review of the business

The business saw significant decline in sales compared to 2019 due to the Covid-19 period lockdown. Whilst the business continued to deliver increased market penetration, in Q4 their largest customer went into liquidation and the carry on business was rationalised to almost 60% in size. The business was able to mitigate some of this lost revenue by focusing on growth in its core segments, Car collision, Commercial Transport and Light Industrial Coatings. The directors are pleased to report that despite challenging market conditions the company was still able to meet its key strategic goals investing in both its people and its branch network to drive optimisation and operational excellence.

The net current assets of the company at the end of the year are £14,102,075 (2019: £15,608,387) and net assets at the end of the year are £14,053,000 (2019: £15,801,611)

The loss for the financial year was £1,748,611 (2019: £1,502,653 profit).

The directors do not recommend the payment of a dividend for the year 2020 (2019: £nil).

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Gross Profit	%	22	19
Return on Sales	%	(5)	4

Gross profit is the ratio of gross profit to sales expressed as a percentage. The gross profit percentage has remained strong due to reduced cost of sales.

Return on sales is the operating profit expressed as a percentage of sales. The decrease in sales margin has arisen from increase in distribution costs and restructuring costs.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Strategic Report for the Year Ended 31 December 2020 (continued)

Section 172(1) statement

The directors of the Company are required to act and carry out their activities which would be most likely to promote the success of the Company for the benefit of its shareholders, employees and stakeholders, and taking into account the factors as listed in Section 172 a) - f) of the Companies Act 2006.


We intensified our focus on the key cultural attributes, behaviours and action that will propel the long-term success of the company. PPG's greatest strength is its people. The Company has embarked on a journey to define and enhance PPG's culture and employee engagement efforts. The PPG Global Code of Ethics is located at <http://corporate.ppg.com/Our-Company/Ethics.aspx>.

PPG's culture of continuous improvement also underpins our approach and commitment to sustainable operations. Whether it is increasing the efficiency of our operations or developing our people, our improvement efforts naturally extend to many areas that affect our sustainability performance. The PPG 2020 sustainability report is located at <https://sustainability.ppg.com/>.

The Company has opportunities every day to create more value and fully leverage our scale for the benefit of our shareholders, customers and employees.

Further details of our engagement with employees, customers and suppliers are given in the directors' report.

Approved by the Board on 26 August 2021 and signed on its behalf by:



K Brasenell
Director

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Change of company name

The company changed its name from Brown Brothers Distribution Limited to PPG Refinish Distribution Limited effective from 15 January 2021.

Directors of the company

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

R Stewart

D Heal (resigned 31 December 2020)

J Summers (resigned 15 January 2020)

K Brasenell (appointed 31 December 2020)

Directors indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were in place throughout the year and remain in force at the date of this report.

Financial risk management objectives

Price risk, credit risk, liquidity risk and cash flow risk

The company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The company's principal financial assets are bank balances and cash, trade debtors and other debtors.

The company's credit risk is primarily attributable to its trade and other debtors. The amounts presented in the balance sheet are net of provision for bad and doubtful debts. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company also maintains credit insurance cover on its trade debtors balances.

Approximately 25% of the company's receivables exposure is with one customer and is partially covered by credit insurance, the remainder of its exposure is spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of finances from borrowings from its bankers and parent company.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Directors' Report for the Year Ended 31 December 2020 (continued)

Employees

Employment of disabled persons

The company operates non-discriminatory employment policies and does not discriminate on any grounds including age, race, religion, sex or disability. Applications for employment are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that the appropriate training is provided where necessary. It is the policy of the company that the career development of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors concerning the performance of the company. This is achieved through regular meetings and newsletters. In addition, employee representatives are consulted on issues affecting their interests.

Engagement with suppliers, customers and other relationships

The Company remain steadfast in the commitment to develop innovative products and solutions that create value for our customers, empower our people to grow and succeed, operate our business safely and effectively and deliver value to our shareholders – growing sales and earnings consistently to deliver superior returns.

The Company has intimate knowledge of the market and customers and continually engages with its customers in a number of ways in order to receive feedback on the service including surveys, customer marketing and communications. By fostering long-term customer relationships, delivering high service levels and expanding strategic partnerships we aim to become the preferred supplier.

The Company develops close working relationships with its key suppliers in order to safeguard raw material and other supplies.

The UK Group remains committed through its global Colourful Communities program and bringing to life the purpose of protecting and beautifying the communities around the world. In addition, the Company supports employees to make a difference to a local charity that matters to them through a matched fundraising policy.

Future developments

Moving forward, the business wants to continue its current strategic direction by continuing the focus on core products and the unique proposition that the business can offer its customers. In an increasingly competitive environment and the emerging new normal, we will continue to focus on improving the quality of sales by attracting and retaining the right customers in terms of financial strength to ensure the business is not dependent on any one customer to help mitigate credit exposures. We are also committed to maintaining a low cost base in the branch network, but ensuring that we have the appropriate structure to deliver an exemplary service to our customers.

Competitive pressure continues to be a risk to the company which could result in losing sales to its key competitors. The company manages this risk by continuing to invest in the development of its people to ensure the company continue to offer high quality products coupled with an extensive range of value adding support services which help build and maintain strong customer relationships.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Directors' Report for the Year Ended 31 December 2020 (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The directors have considered a going concern assessment of the group of which the company is part, headed by PPG Industries, Inc., in order to conclude on the appropriateness of the application of the going concern presumption in preparing these financial statements. In reviewing that assessment, the directors have taken into account the possible worst case scenario impact of the global Covid-19 pandemic on the group's trading performance and outlook. Those forecasts have been compared with the group's current and forecast liquidity position over that period, which incorporates their inclusion in the group cash pool and their ability to draw down on additional funds if required. As a result of the assessment performed the directors have a reasonable expectation that the group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and therefore continue to apply the going concern presumption in their preparation.

Impact of Covid-19

The Covid-19 pandemic has had a significant impact on the automotive refinish industry and UK economy as a whole. The car repair industry is closely linked to the amount of traffic on the roads and "miles driven". The lockdown resulted in a significant reduction in traffic volume and therefore car repair volumes were reduced by up to 80% compared to pre-Covid levels. The company's business in car collision, its largest segment, has been similarly impacted but the diversity of segments that the company works within, Commercial Transport and Light Industrial Coatings, has meant less of an overall impact. The business was also able to continue to support key customers during the UK-wide lockdown which ensured a slightly faster recovery than the market standard.

At the writing of this report the overall volume in the collision repair market has returned to approximately 75% of pre-Covid levels and all businesses are recovering well. The focus moving forwards will be to ensure the cost structure of the business is aligned with the new market size to ensure operating efficiency and profitability for the company moving forwards.

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.

Reappointment of auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 26 August 2021 and signed on its behalf by:


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K Brasenell
Director

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Statement of Directors' Responsibilities

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 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.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Independent Auditors' Report to the Members of PPG Refinish Distribution Limited

Report on the audit of the financial statements

Opinion

In our opinion, PPG Refinish Distribution Limited (formerly Brown Brothers Distribution 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Income Statement and 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.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Independent Auditors' Report to the Members of PPG Refinish Distribution 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Independent Auditors' Report to the Members of PPG Refinish Distribution Limited
(continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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 breaches of health and safety regulations under the Health and Safety at work etc Act 1974, tax legislation and employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 journal entries to manipulate financial performance and management bias in determining significant accounting estimates that could influence reported performance. Audit procedures performed by the engagement team included:

- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- testing accounting estimates that we deemed to present a risk of material misstatement, including assessing the data, methods and assumptions applied by management in the development of each estimate;
- identifying and testing journal entries using a risk-based targeting approach for unexpected account combinations or unusual words or phrases in the journal description; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

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. This description forms part of our auditor's report.

Use of our 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.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Independent Auditors' Report to the Members of PPG Refinish Distribution Limited
(continued)

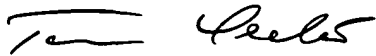
Other required reporting

Companies Act 2006 exception reporting

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

- we have not 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.



.....
Tom Yeates (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
United Kingdom
LS1 4DL

27 August 2021

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Income Statement for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	35,897,848	47,942,254
Cost of sales		<u>(27,960,143)</u>	<u>(38,822,744)</u>
Gross profit		7,937,705	9,119,510
Distribution costs		(10,013,609)	(6,925,919)
Administrative expenses		(231,616)	(378,239)
Other operating income	4	<u>534,337</u>	<u>126,314</u>
Operating (loss)/profit	5	(1,773,183)	1,941,666
Net finance interest (charge)/income	6	<u>(26,847)</u>	<u>7,704</u>
(Loss)/profit before tax		(1,800,030)	1,949,370
Tax on (loss)/profit	8	<u>51,419</u>	<u>(446,717)</u>
(Loss)/profit for the financial year		<u><u>(1,748,611)</u></u>	<u><u>1,502,653</u></u>


The above results were derived from continuing operations.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

(Registration number: 01438525)
Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	10	153,317	193,224
Current assets			
Stocks	11	3,544,578	3,589,671
Debtors	12	20,924,118	23,527,927
Cash at bank and in hand		1,925,108	4,794,432
		<u>26,393,804</u>	<u>31,912,030</u>
Creditors: Amounts falling due within one year	13	<u>(12,291,729)</u>	<u>(16,303,643)</u>
Net current assets		<u>14,102,075</u>	<u>15,608,387</u>
Total assets less current liabilities		14,255,392	15,801,611
Provisions for liabilities	14	<u>(202,392)</u>	<u>-</u>
Net assets		<u>14,053,000</u>	<u>15,801,611</u>
Capital and reserves			
Called up share capital	15	2,600,000	2,600,000
Other reserves		260,000	260,000
Profit and loss account		<u>11,193,000</u>	<u>12,941,611</u>
Shareholders' funds		<u>14,053,000</u>	<u>15,801,611</u>

Approved and authorised by the Board on 26 August 2021 and signed on its behalf by:

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K Brasencil
Director

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital £	Other reserves £	Profit and loss account £	Total £
At 1 January 2020	2,600,000	260,000	12,941,611	15,801,611
Loss for the year	-	-	(1,748,611)	(1,748,611)
Total comprehensive expense	-	-	(1,748,611)	(1,748,611)
At 31 December 2020	<u>2,600,000</u>	<u>260,000</u>	<u>11,193,000</u>	<u>14,053,000</u>

	Called up share capital £	Other reserves £	Profit and loss account £	Total £
At 1 January 2019	2,600,000	260,000	16,438,958	19,298,958
Profit for the year	-	-	1,502,653	1,502,653
Total comprehensive income	-	-	1,502,653	1,502,653
Dividends	-	-	(5,000,000)	(5,000,000)
At 31 December 2019	<u>2,600,000</u>	<u>260,000</u>	<u>12,941,611</u>	<u>15,801,611</u>

Other reserves relates to a capital contribution of £260,000 (2019: £260,000) made by a group company in 1987. The amount is non-repayable.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom.

The company was formerly known as Brown Brothers Distribution Limited.

The company's principal activity is bodyshop parts distribution, including the sale and distribution of paints, refinish products tools and consumables.

2 Accounting policies

Summary of significant accounting policies

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

Statement of compliance

The individual financial statements of PPG Refinish Distribution Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Basis of preparation

The financial statements are prepared under the historical cost convention.

The financial statements are prepared on a going concern basis for the reason disclosed in the directors' report. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in the critical accounting judgements and estimation uncertainty.

Summary of disclosure exemptions

The Company's shareholders have been notified of the following exemptions and no objections have been received.

The company is a wholly owned subsidiary undertaking of PPG Industries, Inc. which produces a consolidated cash flow statement that is publicly available. In accordance with Financial Reporting Standard 102 (FRS102), the company has taken advantage of the exemption in FRS102 from preparing a cash flow statement.

In accordance with FRS102 (Section 33) 'Related party disclosure' the company has taken advantage of the exemption not to disclose its transactions with group companies as its results are consolidated into the financial statements of its ultimate parent company which are publicly available.

The company has exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The directors have considered a going concern assessment of the group of which the company is part, headed by PPG Industries, Inc., in order to conclude on the appropriateness of the application of the going concern presumption in preparing these financial statements. In reviewing that assessment, the directors have taken into account the possible worst case scenario impact of the global Covid-19 pandemic on the group's trading performance and outlook. Those forecasts have been compared with the group's current and forecast liquidity position over that period, which incorporates their inclusion in the group cash pool and their ability to draw down on additional funds if required. As a result of the assessment performed the directors have a reasonable expectation that the group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and therefore continue to apply the going concern presumption in their preparation.

Revenue recognition

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue is recognised when goods are delivered or as services are performed.

Government grants

Other operating income in the profit and loss relates to the grant income received as part of the Coronavirus Job Retention Scheme (CJRS) and business rate relief in the UK.

Tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Tangible assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

PPG Refinish Distribution Limited
(formerly Brown Brothers Distribution Limited)

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Asset class	Depreciation method and rate
Land and buildings - short-term lease	over 12 years
Plant and machinery	over 12 years
Fixtures and fittings, computer equipments	over 3 years

Intangible assets

Other intangible assets relates to non-compete covenants and customer relationships which are included at cost and depreciated in equal annual instalments over a period of 5 years which is their estimated useful economic life. Provision is made for any diminution in value.

IT software is measured initially at purchase cost and amortised on a straight line basis over its estimated useful life of 5 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Defined contribution pension obligation

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Critical accounting judgements and estimation uncertainty

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

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

Inventory provisioning

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. The net carrying amount of the inventory and associated provision can be seen in note 11.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of the debtors and historical experience. The net carrying amount of the debtors and associated impairment provision can be seen in note 12.

3 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts, VAT and other sales related taxes. The turnover and pre tax loss is attributable to one activity, the distribution of automotive refinish products.

The turnover during the year relates to sales of goods in the UK.

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020	2019
	£	£
Government grants	531,068	-
Miscellaneous other operating income	3,269	126,314
	<u>534,337</u>	<u>126,314</u>

Government grant income relates to the Coronavirus Job Retention Scheme of £437,091 (2019: nil) and Covid-19 business rates relief received from the government of £93,977 (2019: nil).

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

5 Operating (loss)/profit

Arrived at after charging:

	2020 £	2019 £
Restructuring costs	156,208	148,036
Fees payable to the company's auditors for the audit of the Company's annual financial statements	21,000	22,000
Depreciation expense	87,053	117,856
Amortisation expense	-	8,298
Operating vehicle and building lease expense	<u>933,791</u>	<u>844,732</u>

No PWC non-audit fees occurred in 2020 (2019: £nil).

6 Net finance interest income and charge

	2020 £	2019 £
Intercompany interest payable and receivable	<u>26,847</u>	<u>(7,704)</u>

7 Employees

There were no directors' emoluments charged during the year (2019: £nil) and no directors were members of money purchase pension schemes. Directors' remuneration is borne by another company and is not recharged. It is not practicable to determine the directors' remuneration in respect of services to this company.

The aggregate payroll costs were as follows:

	2020 £	2019 £
Wages and salaries	3,201,836	3,510,802
Social security costs	299,167	324,620
Pension costs, defined contribution scheme	<u>207,902</u>	<u>141,414</u>
	<u>3,708,905</u>	<u>3,976,836</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Employees (continued)

	2020	2019
	No.	No.
Administration and support	1	2
Sales, marketing and distribution	21	24
Other departments	122	132
	<u>144</u>	<u>158</u>

8 Taxation

Tax (credited)/charged in the income statement

	2020	2019
	£	£
Current taxation		
UK corporation tax	-	149,881
UK corporation tax adjustment to prior periods	(45,275)	302,836
	<u>(45,275)</u>	<u>452,717</u>
Deferred taxation		
Arising from origination and reversal of timing differences	10,087	3,977
Arising from changes in tax rates and laws	(10,222)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(6,009)	(9,977)
Total deferred taxation	<u>(6,144)</u>	<u>(6,000)</u>
Tax (credit)/expense in the income statement	<u>(51,419)</u>	<u>446,717</u>

The tax on profit before tax for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are reconciled below:

	2020	2019
	£	£
(Loss)/profit before tax	<u>(1,800,030)</u>	<u>1,949,370</u>
Corporation tax at standard rate	(342,006)	370,380
Decrease from effect of different UK tax rates on some earnings	(10,222)	-
Adjustment in respect of prior periods	(51,284)	292,859
Tax decrease from other short-term timing differences	(591)	(3,995)
Tax increase/(decrease) arising from group relief	343,046	(220,782)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>9,638</u>	<u>8,255</u>
Total tax (credit)/charge	<u>(51,419)</u>	<u>446,717</u>

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

8 Taxation (continued)

The Corporate tax rate was reduced to 19% with effect from 1 April 2017 with a further rate reduction to 17% from 1 April 2020 enacted by the 2019 balance sheet date. At Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. At budget 2021 the government announced that the Corporation Tax main rate with effect from 1 April 2023 will increase to 25%. As this was enacted after the balance sheet date the current tax rate for the year ended 31 December 2020 is therefore 19% (2019: 19%) and deferred tax has been recognised at 19% (2019: 17%).

There are no unrecognised deferred tax assets or unprovided deferred tax liabilities.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Intangible assets

	IT software £	Other intangible assets £	Total £
Cost or valuation			
At 1 January 2020	42,645	300,319	342,964
At 31 December 2020	42,645	300,319	342,964
Amortisation			
At 1 January 2020	42,645	300,319	342,964
At 31 December 2020	42,645	300,319	342,964
Carrying amount			
At 31 December 2020	-	-	-

10 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Plant and machinery £	Total £
Cost or valuation				
At 1 January 2020	1,193,932	1,557,376	139	2,751,447
Adjustment	145,417	-	-	145,417
At 31 December 2020	1,339,349	1,557,376	139	2,896,864
Depreciation				
At 1 January 2020	1,117,358	1,440,726	139	2,558,223
Charge for the year	41,184	45,869	-	87,053
Adjustment	98,271	-	-	98,271
At 31 December 2020	1,256,813	1,486,595	139	2,743,547
Carrying amount				
At 31 December 2020	82,536	70,781	-	153,317
At 31 December 2019	76,574	116,650	-	193,224

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 Stocks

	2020	2019
	£	£
Finished goods and goods for resale	<u>3,544,578</u>	<u>3,589,671</u>

The directors consider that the replacement cost of stock is not materially different from its carrying value. Inventories are stated after provision for impairment of £106,248 (2019: £132,799).

12 Debtors

	2020	2019
	£	£
Trade debtors	7,775,133	11,508,587
Amounts owed by group undertakings	9,274,630	7,887,697
Other debtors	3,663,220	3,909,414
Prepayments	124,111	141,349
Deferred tax assets	<u>87,024</u>	<u>80,880</u>
	<u>20,924,118</u>	<u>23,527,927</u>

Trade debtors are stated after provisions for impairment of £17,769 (2019: £12,799).

The amounts owed by group undertakings unsecured, interest free and repayable on demand with due notice given to both parties.

Included within amounts owed by group undertakings is £2,600,000 (2019: £2,600,000) in note 14 relating to unpaid issued share capital.

Deferred tax

Deferred tax assets and liabilities

2020	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	<u>87,024</u>
2019	Asset £
Difference between accumulated depreciation and amortisation and capital allowances	<u>80,880</u>

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Creditors

	2020	2019
	£	£
Due within one year		
Trade creditors	2,826,187	2,930,285
Amounts due to group undertakings	7,904,747	11,762,731
Social security and other taxes	1,343,363	1,380,115
Accruals	217,432	230,512
	<u>12,291,729</u>	<u>16,303,643</u>

Of the amounts owed to group undertakings £5,393,608 (2019: £8,743,277) is interest bearing at 0.69% (2019: 1.03%) and the rest is not interest bearing and has no fixed repayment date. The company meets its day-to-day working capital requirements through access to funds as part of the PPG group's cash pooling arrangement that is administered through PPG Finance BV, a fellow group company, which acts as an internal bank for PPG subsidiaries. The company has unrestricted access to these funds as part of the contractual cash pooling terms and conditions, and either party has the right to withdraw from the agreement by giving one months notice, for which no reason needs to be given. Under the cash pooling arrangements, some levels of cash is held by the Company as balances are 'swept' to PPG Finance BV at the end of business on each day. The company therefore has a current payable balance of £5,393,608 for that amount held with PPG Finance BV in the cashpool. While also holds £1,925,108 cash which is not 'swept' into the cash pooling.

14 Provisions for liabilities

	Dilapidation £
Additional provisions	<u>202,392</u>
At 31 December 2020	<u>202,392</u>

As at 31 December 2019 the Dilapidation provision was nil.

15 Share capital

Allotted, called up and not fully paid shares

	2020		2019	
	No.	£	No.	£
Called up, allotted and un-paid of £1 each	2,600,000	2,600,000	2,600,000	2,600,000

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 Commitments

The company had no capital commitments at either year end.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2020		2019	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Payments due:				
Within one year	424,683	91,202	422,263	122,179
Between two and five years	770,238	96,006	1,015,688	82,039
More than five years	358,576	217	554,053	-
	<u>1,553,497</u>	<u>187,425</u>	<u>1,992,004</u>	<u>204,218</u>

17 Parent and ultimate parent undertaking

The company's immediate parent is PPG Industries (UK) Limited, incorporated in the United Kingdom.

The ultimate parent is PPG Industries, Inc., incorporated in the United States of America.

These financial statements are available upon request from 2400 One PPG Place, Pittsburgh, Pennsylvania 15222-5401, USA.