Akzo Nobel Powder Coatings Limited

Annual Report and Financial Statements
Registered number 01725413
31 December 2019

Contents

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is the manufacture and sale of thermo-setting powder paint, as well as sales of wet paint and powder paint to the general industrial market via the Cromadex business. The business operates under brands such as Interpon®, Cromadex® and International®. The Company prides itself on product innovation and continues to invest and bring new products to market.

Business Model

The Company's business is part of the global Akzo Nobel Powder Coatings Strategic Marketing Unit which is headed by Akzo Nobel N.V. Full information on the strategy of the Strategic Marketing Unit can be found in the Annual Report and Accounts of the ultimate parent company; Akzo Nobel N.V. Copies are available as indicated in note 21 of the financial statements.

The Company continues to achieve leading market positions by delivering leading performance. This mission statement is underpinned by core principles, values and behaviours. The core principles are safety, integrity and sustainability. The Company has a target of zero accidents as well as a Code of Conduct which is embedded throughout the organization. The core values are customer focus, delivering on commitments, having a passion for excellence and winning together.

Business Review and Results

Sales volumes and revenues to 3rd parties remained stable in 2019 compared with 2018 as the market stagnated slightly due to uncertainty surrounding the political situation and in particular, the unknown timing of Brexit.

In key segments, Architectural volumes were up by 2.4% while General Trade Coater and Industrial segments were relatively flat compared to the prior year.

Raw material and production costs remained stable resulting in consistent margins across all segments.

Aligned with the AkzoNobel Group strategy to achieve 15% Return On Sale by 2020 (15 by 20), costs were a key focus during the year. As part of the wider AkzoNobel global strategy the Company is focused on directing resources to segments that provide the highest return on investment which is underpinned by our strategy of delivering growth organically.

In 2019 the company reports a profit after tax of £3,885,000 (2018: £4,637,000), which has seen the company net assets increase to £1,241,000 (2018: Net liabilities £2,644,000) as at 31 December 2019.

Strategic Report *(continued)*

Key performance indicators ("KPIs")

	2019 (£'000)	2018 (£'000)
Turnover	55,702	56,013
Gross profit	20,102	20,172
Gross margin (%)	36.1	36.0
Profit before tax	3,081	6,135
Return on sales (%)	5.5	10.9

The KPI's above show the result of a combination of four key areas:

- Lower 3rd party volumes offset by higher intercompany volumes. Higher percentage of revenue contributed to by intercompany sales with lower margins.
- An increase in the cost of raw materials used in the manufacturing process of powder and liquid paint.
- An increase in average selling price to mitigate the increased cost of raw materials.
- Continuing uncertainty in the Coatings market as a result of Brexit.

Principal Risks and Uncertainties

The Directors consider the principal risks and uncertainties as those which threaten the success of our customers and those which inhibit our role in the global Powder Strategic Marketing Unit. In 2019, our biggest risk was centred around uncertainty in the market due to Brexit. Uncertainty led to lower investment, particularly in the construction sector. The Directors still consider our future trading relationship with the European Union to be a high risk. The Company relies on the free movement of goods, services and people throughout the European Union and any actions to restrict these flows may impede the ability of the Company to service customers at current levels.

2020 began with a clearer political outlook and more confidence in the market; however, the spread of Covid-19 has now become the biggest risk which the Company will have faced in a decade. Restrictions on business, which have been imposed by the Government will lead to a significant volume and revenue drop, particularly in Quarter 2. The Company will continue to spread its exposure by focusing on a wide range of market segments and exploring opportunities in new spaces. In addition to this, cost control will be key in order to ensure bottom line profitability remains strong.

Strategic Report *(continued)*

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 Powder Coatings Limited level

On behalf of the Board

M Smalley
Director

The AkzoNobel Building
Wexham Road
Slough
SL2 5DS

18 March 2021

Directors' Report

The directors present their Directors' Report and audited Financial Statements for the year ended 31 December 2019.

Research and Development

The Company undertakes various research and development activities. A proportion of these activities is recharged to other group companies.

Dividends

The Profit before taxation amounted to £3,081,000 (2018: £6,135,000). The directors do not recommend the payment of a dividend (2018: £nil). The profit for the financial year of £3,885,000 (2018: £4,637,000) has been transferred to reserves.

Directors

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

A Moseley – Resigned 30 June 2019
M Smalley
G Brown – Appointed 30 June 2019
S Timmins – Resigned 30 June 2019, reappointed 10 October 2019
J Toolan – Resigned 30 June 2019
D Turner – Appointed 2 January 2019, resigned 1 September 2020
N Akay Kemahli – Appointed 1 September 2020

Disclosure of information to auditors

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

Going Concern

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided notification that it shall continue to provide financial and other support to the Company for a period of at least twelve months from the date of approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade. On this basis 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.

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company where appropriate.

Directors' Report *(continued)*

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

The safety of the Company's employees and the public continues to be our number one priority. During 2017 we further embedded our Behavioural Based Safety (BBS) programme into our daily routine and continued to make the UK Powder business a safer place to work. Every employee also has the right to apply our Golden Principle which is part of our "Life Saving Rules" – namely, if conditions or behaviour is unsafe, stop work.

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.

Future Developments

At the time of signing these financial statements the Directors are not aware of any likely future developments in the business of the Company. Further consideration has been provided within the Strategic Report.

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, 2019 as a result of COVID-19. Management consider the COVID-19 pandemic to be a non-adjusting post balance sheet event. Management will continue to monitor the situation and the impact on the Company.

On behalf of the Board

M Smalley
Director

The AkzoNobel Building
Wexham Road
Slough
SL2 5DS

18 March 2021

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

M Smalley

Director

18 March 2021

Independent auditors' report to the members of Akzo Nobel Powder Coatings Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Statement of Comprehensive Income 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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

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

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 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.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

NCo

Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
18 March 2021

Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	**2019**	2018
		£000	£000
Turnover	*3*	**55,702**	56,013
Cost of sales		**(35,600)**	(35,841)
Gross profit		**20,102**	20,172
Distribution costs		**(9,724)**	(10,239)
Administrative expenses		**(6,630)**	(3,091)
Operating profit	*4*	**3,748**	6,842
Other interest receivable and similar income	*7*	**144**	85
Interest payable and similar expenses	*8*	**(811)**	(792)
Profit before taxation		**3,081**	6,135
Tax on Profit	*9*	**804**	(1,498)
Profit for the financial year		**3,885**	4,637
Total comprehensive income for the year		**3,885**	4,637

All results arose from continuing activities.

Balance Sheet
As at 31 December

	Note	2019 £000	£000	2018 £000	£000
Fixed assets					
Intangible assets	*10*		**9,382**		9,382
Tangible assets	*11*		**2,645**		3,160
Rights of-use assets	*12*		**988**		-
			13,015		12,542
Current assets					
Stocks	*13*	**5,387**		4,457	
Debtors	*14*	**34,898**		32,877	
		40,285		37,334	
Creditors: amounts falling due within one year	*15*	**(10,954)**		(12,086)	
Net current assets			**29,331**		25,248
Creditors: amount falling due after more than one year	*16*		**(41,105)**		(40,434)
Net Assets/(Liabilities)			**1,241**		(2,644)
Capital and reserves					
Called up share capital	*19*		**20,002**		20,002
Profit and loss account			**(18,761)**		(22,646)
Total Shareholders' funds/(deficit)			**1,241**		(2,644)

These financial statements on pages 10 to 33 were approved by the Board of Directors on 18 March 2021 and were signed on its behalf by:

G Brown
Director

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £000	Profit and loss account £000	Total Shareholders' (deficit)/funds £000
Balance at 1st January 2018	20,002	(27,283)	(7,281)
Total comprehensive income for the year			
Profit for the financial year	-	4,637	4,637
Balance at 31st December 2018	20,002	(22,646)	(2,644)
As at 1st January 2019	20,002	(22,646)	(2,644)
Total comprehensive income for the year			
Profit for the financial year	-	3,885	3,885
Balance at 31 December 2019	**20,002**	**(18,761)**	**1,241**

Notes

1 Accounting policies

Akzo Nobel Powder Coatings Limited (the "Company") is a private company limited by shares incorporated and domiciled in England, UK. The address of its registered office is The AkzoNobel Building, Wexham Road, SL2 5DS, England.

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* ("*FRS 101*").

In preparing these financial statements, the Company applies the recognition, measurement and presentation requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but make amendments where necessary in order to comply with the Act and take advantage of the FRS 101 disclosure exemptions.

As the Company is a wholly owned subsidiary of Akzo Nobel N.V., the consolidated financial statements of Akzo Nobel N.V., within which the Company is included, can be obtained from the address in note 21.

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

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

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- The requirements in IAS 24, *'Related party disclosures'*, to disclose related party transactions entered into between two or more members of a group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

New standards, amendments and IFRIC interpretations

In 2019, the most significant change in accounting policies relates to adoption of the new standard IFRS 16 "Leases".

IFRS 16 Leases

IFRS 16 replaces the previous standard on lessee accounting for leases. It requires lessees to bring most leases on balance sheet in a single lease accounting model, recognizing a right-of-use asset and a lease liability.

Compared with the previous standard for operating leases, it also impacts the classification and timing of expenses and consequently the classification between net cash from operating activities and net cash from financing activities.

Notes *(continued)*

New standards, amendments and IFRIC interpretations (continued)

Transition approach

AkzoNobel has adopted IFRS 16 as per January 1, 2019, applying the modified retrospective approach. All right-of use assets are measured at the amount of the lease liability at transition, adjusted for any prepaid or accrued lease expenses. Short-term and low-value leases are exempted. AkzoNobel has not restated its 2018 comparative figures. The adoption did not have an impact on the company equity. IFRS 16 requires the right-of-use asset and the lease liability to be recognized at discounted value and assumptions with regards to termination and renewal options have been taken into consideration.

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the prior assessment of which transactions are leases. IFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019. Judgement was applied at the initial application of IFRS 16 and also thereafter, when assessing whether payments to be made in optional periods should be included in the calculation of the right-of-use assets and lease liability. Such payments are included in the calculations when it is deemed it reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17, in particular:

- On a lease by lease basis it was decided whether to recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application
- The company did not recognize right-of-use assets and liabilities for leases of low-value assets (e.g. certain IT equipment)
- Initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application
- The Company used hindsight when determining the lease terms

In respect of the implications of IFRS 16 for tax accounting, AkzoNobel has assessed that the right-of-use asset and the lease liability are to be considered together as a single transaction, because in the company's view they are integrally linked. As a result, at inception of a lease and also at the IFRS 16 transition, the net lease asset or liability (without taking into account any advance payments) is nil, the tax base is nil and, therefore, the temporary difference is nil. Hence, no deferred taxes have to be accounted for at inception/IFRS 16 transition and going forward deferred tax.

Notes *(continued)*

Impact of Adoption of IFRS16 on the company balance sheet

In £'000	As Reported at December 31 2018	Restatement due to adoption of IFRS 16	Restated opening balance at January 1 2019
Intangible Assets	9,382	-	9,382
Property, Plant & Equipment	3,160	-	3,160
Right of use assets	-	1,156	1,156
Deferred tax assets	2,505	-	2,505
Inventories	4,457	-	4,457
Trade and other receivables	30,372	-	30,372
Total Assets	**49,876**	**1,156**	**51,032**
Shareholders' Equity	(2,644)	-	(2,644)
Long term borrowings	40,434	968	41,402
Current Tax Liabilities	923	-	923
Trade and other payables	11,163	-	11,163
Short term borrowings	-	188	188
Total equity and liabilities	**49,876**	**1,156**	**51,032**

The adoption of IFRS 16 as per January 1, 2019, has resulted in the recognition of right-of-use assets of £1,156,000, and additional lease liabilities of £1,156,000. In the statement of income, the operating lease expenses (£287,000), previously recorded in operating income, are replaced by the depreciation charges on right-of-use assets (£265,000); remains recorded in operating income) and by Interest expenses for the lease liability (£19,000; recorded in net financing expenses). On a net basis, the adoption of IFRS 16 has led to an increase of operating income by £22,000 and an increase of net financing expenses by £19,000; profit before tax was £3,000 higher and profit for the year was £2,000 higher.

The blended incremental borrowing rate applied to the lease liabilities at January 1, 2019, was 1.52%. The following table reflects the reconciliation of the operating lease commitments as at December 31, 2018, and the lease liabilities recognized as at January 1, 2019.

Changes in Lease Accounting	In £'000
Operating lease commitments as at December 31st 2018	760
Total undiscounted lease commitments	**760**
Low value leases not recognised as a liability	(195)
Adjustments as a result of a different treatment of extension and termination options	367
Discounted using the lessee's incremental borrowing rate at initial application	224
Lease liability recognised at January 1st 2019	**1,156**

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided written notification that it shall continue to provide financial and other support to the Company for a period of at least twelve months from the date of approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade. On this basis 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.

1.3 Foreign currency

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

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

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

Trade and other creditors

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

Cash and cash

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

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

1.6 Tangible 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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

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

- freehold land and buildings 50 years
- plant and machinery 10 years
- fixtures and fittings 5 years

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Tangible fixed assets (continued)

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 profit and loss account.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

1.7 Intangible assets, goodwill and negative goodwill

Goodwill

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

Company law requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot reasonably be quantified other than by reference to an arbitrary assumed period for amortisation.

Research and development

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

1.8 Inventories

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

1.9 Impairment excluding stocks and deferred tax assets

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Impairment excluding stocks and deferred tax assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 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 profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

Some of the Company's employees are members of group wide defined benefit pension plans. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the legally sponsoring employer, which is Akzo Nobel UK Ltd. 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.

1.11 Provisions

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Turnover

Turnover represents the fair value of consideration received and receivable for goods and services supplied to customers after deducting sales allowances, rebates and value added taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, the revenue can be measured reliably and collectability is reasonably assured.

1.13 Leases

The company applied IFRS 16 using the modified retrospective approach and therefore the comparative information for 2018 has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from January 1, 2019

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.

This policy is applied to contracts entered into, on or after January 1, 2019.

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.

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:

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Leases (continued)

- 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.

Policy applicable before January 1, 2019

Lease contracts in which the company has substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is depreciated using a straight-line method, based on the lower of the estimated useful life or the lease term.

The interest expenses are recognized as other financing expenses over the lease term. Payments made under operational leases are recognized in the statement of income on a straight-line basis over the term of the lease.

1.14 Interest

Interest receivable and Interest payable

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised 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. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 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.

2.1 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) Useful economic lives of tangible fixed assets

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

(b) Inventory provisioning

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

Notes *(continued)*

2 Critical accounting estimates and judgements (continued)

(c) Impairment of debtors

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

(d) Impairment of non-financial assets

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

(e) Interest rate used in determining lease liability

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

The company used incremental borrowing rates specific to each lease and the rates range between 0.71%-1.92% translating to an average rate of 1.52%. A 100-basis point increase/(decrease) in the rate would cause the lease liabilities to (reduce)/increase by £6,500 and a corresponding (decrease)/increase in the right-of-use assets by the same amount.

2.2 Critical accounting judgements

There are no critical judgements in applying the entity's accounting policies.

Notes *(continued)*

3 Turnover

By activity	2019 £000	2018 £000
Sale of powder coatings	**43,138**	42,772
Sale of wet paint	**12,564**	13,241
	55,702	56,013

By geographical market	2019 £000	2018 £000
United Kingdom and Eire	**48,367**	49,044
Europe	**7,335**	6,969
	55,702	56,013

4 Operating profit

	2019 £000	2018 £000
Operating profit is stated after charging / (crediting):		
Depreciation of owned tangible fixed assets (note: 11)	**685**	677
Depreciation of right-of-use assets (note: 12)	**265**	-
Restructuring costs	**237**	131
Research and development expenditure	**1,870**	1,605
Exchange (gain)/loss	**(124)**	13
Inventory recognised as an expense	**35,090**	35,922

	2019 £000	2018 £000
Auditors' remuneration		
- audit of these financial statements	**34**	31

Amounts receivable by the Company's auditors in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent.

Notes *(continued)*

5 Remuneration of directors

	2019 £000	2018 £000
Directors emoluments	**315**	386
Number of directors who were members of the defined benefit scheme	**4**	3

Emoluments attributable to the highest paid director were £116,974 *(2018:* £119,983) and contributions made on their behalf under the defined benefit scheme were £20,355 (*2018:* £32,679).

6 Staff numbers and costs

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

	Number of employees	
	2019	2018
Office and management	**64**	88
Production and other	**75**	71
	139	159

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	**5,462**	5,935
Social security costs	**610**	646
Redundancy costs	**237**	131
Other pension costs (note 20)	**1,442**	1,469
	7,751	8,181

7 Other interest receivable and similar income

	2019 £000	2018 £000
Receivable from group undertakings	**144**	85
	144	85

Notes *(continued)*

8 Interest payable and similar expenses

	2019 £000	2018 £000
Lease liability	**19**	-
Payable to group undertakings	**792**	792
	811	792

9 Tax on profit

Recognised in the Statement of Comprehensive Income

	2019 £000	£000	2018 £000	£000
UK corporation tax				
Current tax on income for the year	**(77)**		1,306	
Adjustments in respect of prior periods	**(612)**		-	
Total current tax		**(689)**		1,306
Deferred tax (note 18)				
Originating and reversal of temporary differences	**(115)**		192	
Adjustment in respect of prior periods	**-**		-	
Total deferred tax		**(115)**		192
Tax (credit)/charge		**(804)**		1,498

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit before taxation	**3,081**	6,135
Tax using the UK corporation tax rate of 19% (2018: 19%)	**585**	1,166
Non-deductible expenses	**22**	13
Utilisation of brought forward tax losses	**-**	305
Change in tax rate on deferred tax balances	**13**	14
UK transfer pricing adjustment	**(812)**	-
Adjustments in respect of prior periods	**(612)**	-
Total Tax (credit)/charge	**(804)**	1,498

Factors that may affect future current and total tax charges

In the Summer 2015 Budget Statement the UK corporation tax rate was reduced from 20% to 19%, effective 1 April 2017, with a further reduction to 18% effective 1 April 2020, and in the March 2016 Budget Statement it was announced this rate would reduce from 18% to 17% effective 1 April 2020. All of these changes had been substantively

Notes *(continued)*

9 Tax on profit (continued)

enacted at the balance sheet date. In the March 2020 Budget Statement, the rate was held at 19% and substantively enacted at this time.

As a result of the changes that had been substantively enacted at balance sheet date, the effective current tax rate applicable for both 2018 and 2019 was 19% and the rate applied to deferred tax balances is 17% - being the substantively enacted tax rate when these balances are expected to be utilised.

10 Intangible assets

	Goodwill £000
Balance at 1st January 2019	9,382
Balance at 31st December 2019	**9,382**

Goodwill is monitored by the management at the operating segment level which is the network of stores identified as a single cash generating unit. Goodwill is not allocated to individual stores.

11 Tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At beginning of year	1,849	8,526	2,871	13,246
Additions	-	164	6	170
Transfers in/(out)	-	352	(352)	-
At end of year	1,849	9,042	2,525	13,416
Accumulated depreciation				
At beginning of year	1,693	6,348	2,045	10,086
Charge for year	9	482	194	685
At end of year	1,702	6,830	2,239	10,771
Net book value				
At 31 December 2019	**147**	**2,212**	**286**	**2,645**
At 31 December 2018	156	2,178	826	3,160

Notes *(continued)*

12 Right-of-use assets

	Freehold Land and Buildings £000	Plant and Machinery £000	Fixtures and fittings £000	Total £000
Cost				
At beginning of year	-	-	-	-
Adjustment on Transition to IFRS 16	1,076	59	21	1,156
Additions	97	-	-	97
At end of year	1,173	59	21	1,253
Accumulated depreciation				
At beginning of year	-	-	-	-
Charge for year	228	18	19	265
At end of year	228	18	19	265
Net book value				
At 31 December 2019	**945**	**41**	**2**	**988**
At 31 December 2018	-	-	-	-

13 Stocks

	2019 £000	2018 £000
Raw materials and consumables	908	722
Finished goods and goods for resale	4,479	3,735
	5,387	4,457

14 Debtors

	2019 £000	2018 £000
Trade debtors	8,925	9,015
Amounts owed by group undertakings	22,801	20,857
Other debtors	514	443
Prepayments and accrued income	38	57
Corporation tax	-	-
Deferred tax (see note 18)	2,620	2,505
	34,898	32,877

Amounts owed to group undertakings are repayable on demand.

Notes *(continued)*

14 Debtors (continued)

The Company participates in a cash pooling arrangement with certain other group companies. This arrangement allows the Company to draw upon or credit amounts to a separately designated facility within a cash pool account in the name of Akzo Nobel N.V. The Company operates the facility as if it were the Company's own bank account, however, the Company has no legal title. Accordingly, the amounts have therefore been included within amounts owed to group undertakings rather than cash at bank.

All parties to the arrangement are jointly and severally liable to the bank for any overdraft thereon. Included within amounts owed by group undertakings is £21,206,000 *(2018: £19,799,000)* in respect of the Company's share of the account.

15 Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	**5,114**	4,889
Amounts owed to group undertakings	**3,238**	4,561
Taxation and social security	**1,028**	881
Corporation tax	**234**	923
Other creditors and accruals	**1,043**	832
Lease liability	**297**	-
	10,954	12,086

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are payable on demand.

16 Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Lease liability	**671**	-
Amounts owed to group undertakings	**40,434**	40,434
	41,105	40,434

Lease liabilities are payable as follows:

Within 1 year	**297**	-
Between two and five years	**671**	-

Amounts owed to group undertakings included an intercompany loan of £40,000,000 *(2018: £40,000,000)* plus unpaid interest of £434,000 *(2018: £434,000)*. Interest is charged at a rate of 0.93% plus a margin of 1.04%. The loan matures on 15 June 2025.

Notes *(continued)*

17 Leases

i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 £'000	1 January 2019 £'000
Right-of-use-assets		
Buildings	**945**	1,076
Plant & Machinery	**41**	59
Fixtures & Fittings	**2**	21
	988	1,156
Lease Liabilities		
Current	**297**	188
Non-current	**671**	968
	968	1,156

Additions to the right-of-use assets during the 2019 financial year were £97,000.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 £'000
Depreciation charge of right-of-use-assets	
Buildings	**(228)**
Plant & Machinery	**(18)**
Fixtures & Fittings	**(19)**
	(265)
Interest expense (note 7)	**(19)**

The total cash outflow for leases in 2019 was £304,000

The company has non-cancellable operating lease rentals payable as follows:

	2019 £000	2018 £000
Less than 1 year	-	292
Within second to fifth year inclusive	-	448
Exceeding the fifth year	-	20
	-	760

As of 1 January 2019 all operating leases have been capitalised on the balance sheet on transition to IFRS16.

Notes *(continued)*

18 Deferred tax asset and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £000	Assets 2018 £000
Tangible assets	**1,634**	1,501
Intangible assets	**17**	35
Tax losses recognised for deferred tax	**969**	969
Tax assets	**2,620**	2,505
Net of tax liabilities	**-**	-
Net tax assets	**2,620**	2,505

Movement in deferred tax during the year

	1 January 2019 £000	Recognised in statement of comprehensive income £000	31 December 2019 £000
Tangible fixed assets	1,501	133	1,634
Intangible assets	35	(18)	17
Recognition of previously unrecognised tax losses	969	-	969
	2,505	115	2,620

The company has a deferred tax asset of £969,000, in respect of the brought forward losses of £5,701,052.

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 *(continued)*

19 Called up Share Capital

	2019 £000	2018 £000
Allotted, called up and fully paid:		
20,002,000 *(2018:20,002,000)* Ordinary shares of £1 each	**20,002**	20,002
Shares classified in shareholders' funds/(deficit)	**20,002**	20,002

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.

20 Pension scheme

Akzo-Nobel UK Pension Schemes.

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

Akzo Nobel (CPS) Pension Scheme

The Company is a participant in a group wide defined benefit pension scheme. As the legally sponsoring entity, the financial statements of Akzo Nobel UK Ltd identify and disclose the information on the plan 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 2019 was £1,442,000 (2018: £1,469,000).

Akzo Nobel Benefit Builder Retirement Plan

The Company operates a defined contribution pension plan. The total cost relating to this plan in 2019 was £354,891 (2018: £365,000).

Notes *(continued)*

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

The Company is a wholly-owned subsidiary undertaking of Akzo Nobel Coatings (BLD) Limited, a company registered in England. The directors consider that the ultimate controlling party and the only group in which the results of the Company are consolidated is that headed by the ultimate parent company, Akzo Nobel N.V., which is an entity incorporated in the Netherlands. Copies of the Akzo Nobel N.V. Annual Report and Accounts are available to the public and may be obtained from Christian Neefestraat 2, Amsterdam.

22 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, 2019 as a result of COVID-19. Management consider the COVID-19 pandemic to be a non-adjusting post balance sheet event. Management will continue to monitor the situation and the impact on the Company.