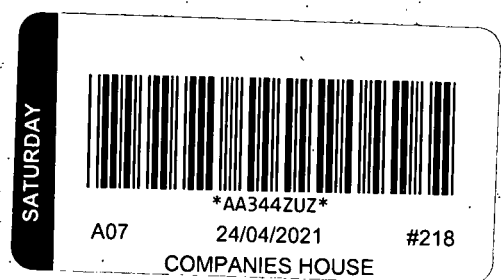


Akzo Nobel Packaging Coatings Limited

**Annual Report and Financial
Statements**

Registered number 059837

For the year ended 31 December 2019



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Strategic Report

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

Results for the year

The Company made a profit before taxation of £6,450,000 (2018: Loss £303,000) for the year and turnover of £107,306,000 (2018: £104,261,000).

The Company has net assets of £51,617,000 (2018: £46,541,000).

Principal Activities and Business Review

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

Current trading

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

The additional business reported in 2017 as a result of the acquisition of the BASF Coil coatings business in Deeside performed well in 2018 and has continued to perform well in 2019. Company's overall performance was recognised by our customer TATA Steel (TATA) as very good and market share and pricing activities were generally successful.

Overall the market share in TATA is above 50% on a very narrow product portfolio although the same can be said of the customer portfolio, there are consequently very high interdependencies between the Company and TATA and that is reflected in high OTIF (On Time and In Full) performance and good pricing delivering the highest European site based return on sales in Coil coatings.

One negative development was the cancelling of a new product launch scheduled for production in Deeside after changed parameters on fire resistance emerged as new requirements after Grenfell. It is not likely to impact short term our business portfolio and we have recommenced development activities against the new requirements.

In Packaging Coatings, the Company had significant risks placed on it to supply European customers through the various BREXIT deadlines that came and went. Good control of activity in Birmingham and dialog with customers resulted in no lost business in 2019. Margins continued to recover in packaging as pricing actions as allowed by contracts were implemented and in some areas we saw reducing raw materials. Impact to margin was positive in the year.

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

The Company continues to invest heavily in the next generation of Inside Spray products free of BPA and are seeing some better success in trialling materials. It is noteworthy that since last year there has been a significant shift towards cans from plastic and with the current supply chain the Company sees that growth continuing to translate into existing BPA technology, this trend is expected to continue giving robust opportunities.

Principal risks and uncertainties

Brexit has largely been managed well with little significant disruption to trading but significant concerns remain over the long term regulatory landscape generated by UK Reach and the company continues to engage with Government through channels and trade bodies to indicate those concerns.

Strategic Report *(continued)*

The business continues to hold management meetings to review the issues and to identify strategies to mitigate such risks.

Future Developments

The core markets in both Packaging and Coil Coatings overall in 2020 performed well during COVID-19 with demand for Beverage cans consistently high whilst a poor second quarter in Coil was offset by high demand as economy opened in Q3 and Q4, long term demand fundamentals are gauged as good.

At the time of writing significant margin improvements were achieved in 2020 compared to 2019 mostly through significant reduction in raw material input costs generated through COVID effects but are under significant pressure as a wave of very significant raw material bounce in early 2021 undermines those gains and threatens to peg them back to 2019 levels.

The external commercial environment is expected to remain very competitive in the coming year as competitors seek to increase volumes in the mature markets. Significant expenditure on Research and Development will continue as further technologies are developed to provide market leading coating solutions to the Company's customers

Key performance indicators

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

Title	Description	Performance to date
Sales Growth	2019 Strategy focus on increased profitability through pricing activation Stabilisation of Raw Material (RM) pricing together with pricing actions will focus on margin growth.	External volumes increased by 3% during 2019, revenue increased 3% with increased gross profit margin of 27.8% (2018: 26.7%) due to stable average selling prices and raw material decreases.
OSHA (Occupational Safety & Health Standard) recordable injuries	2019 Total Recordable Incident Rate (TRR) target = 0.	Total Recordable Injuries (TRI) across the three manufacturing sites was 1.

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

Strategic Report *(continued)*

Section 172 Statement *(continued)*

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.

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).

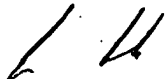
Strategic Report *(continued)*

Section 172 Statement *(continued)*

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 Packaging Coatings Limited - level

On behalf of the board



J. Kavanagh
Director

23 April 2021

Directors' Report

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

Directors

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

D.J. James	(resigned 6 November 2019)
J. Kavanagh	(appointed 24 January 2019)
M. Smalley	
B. H. Matzner	(appointed 9 November 2019)
G. Brown	(appointed 30 June 2019)

Dividends

The directors do not recommend the payment of a dividend during the year (2018: £Nil).

Political Contributions

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

Financial Risk Management

Financial risk includes price risk, credit risk, liquidity risk and cash flow risk. These are addressed and managed at a group level as disclosed in the AkzoNobel Report 2019, pages 107 to 110 and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.

An overall risk management program seeks to identify, assess and if necessary, mitigate these financial risks in order to minimise potential adverse effects on financial performance.

Research and development

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

Disabled employees

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

Employee involvement

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

Payment of suppliers

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. Creditor days for the Company at 31 December 2019 were 73 days (2018: 78 days).

Directors' Report (continued)

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.

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 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.

Independent auditors

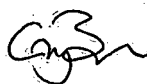
Pursuant to Section 485(3)(c) of the Companies Act 2006, PricewaterhouseCoopers LLP were appointed as the Company's auditors until the next period for appointing auditors.

Directors' Report (continued)

Disclosure of information to auditors

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

On behalf of the board



G. Brown
Director

The AkzoNobel Building
Wexham Road
Slough
SL2 5DS
23 April 2021

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 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 Packaging Coatings Limited (continued)

Strategic Report and Directors' Report

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



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

Statement of Comprehensive Income
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	107,306	104,261
Cost of sales		(77,451)	(76,425)
Gross profit		29,855	27,836
Distribution costs		(7,184)	(6,575)
Administrative expenses		(17,148)	(21,880)
Other operating income	3	937	420
Operating profit/(loss)		6,460	(199)
Interest receivable and similar income	4	254	300
Interest payable and similar expenses	4	(264)	(404)
Profit/(loss) before taxation	5	6,450	(303)
Tax on profit/(loss)	8	(1,374)	77
Profit(loss) for the financial year and total comprehensive income/(expense)		5,076	(226)

All amounts are derived from continuing operations.

The notes on pages 15 to 34 form a part of these financial statements.

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

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	3,572	43,195	46,767
Total comprehensive expense Loss for the financial year	-	(226)	(226)
Total comprehensive expense for the year	-	(226)	(226)
Balance at 31 December 2018	3,572	42,969	46,541
Balance at 1 January 2019	3,572	42,969	46,541
Total comprehensive income Profit for the financial year	-	5,076	5,076
Total comprehensive income for the year	-	5,076	5,076
Balance at 31 December 2019	3,572	48,045	51,617

Balance Sheet
at 31 December 2019

	<i>Note</i>	2019 £000	£000	2018 £000	£000
Fixed assets					
Intangible assets	9		39,466		40,773
Tangible assets	10		16,902		17,222
			<u>56,368</u>		<u>57,995</u>
Current assets					
Stocks	11	7,145		6,397	
Debtors	12	89,512		82,756	
		<u>96,657</u>		<u>89,153</u>	
Creditors: amounts falling due within one year	13	<u>(74,645)</u>		<u>(75,316)</u>	
Net current assets			<u>22,012</u>		<u>13,837</u>
Total assets less current liabilities			<u>78,380</u>		<u>71,832</u>
Creditors: amounts falling due after more than one year	13	<u>(26,763)</u>		<u>(25,291)</u>	
Net assets			<u>51,617</u>		<u>46,541</u>
Capital and reserves					
Called up share capital	15		3,572		3,572
Profit and loss account			48,045		42,969
Total equity			<u>51,617</u>		<u>46,541</u>

These financial statements on pages 12 to 34 were approved by the board of directors on 23 April 2021 and were signed on its behalf by:



J. Kavanagh
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Akzo Nobel Packaging Coatings Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in England, within the United Kingdom. The Company's registration number is 059837 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, SL2 5DS.

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") under historical cost convention in pound sterling.

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 exemption.

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

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

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

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

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

Disclosure of a third balance sheet as required under IFRS1 when correcting for a prior period error.

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

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, in accordance with The Companies Act 2006 as applicable to companies using FRS 101.

1.2 Going concern

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

1.3 Foreign currency

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

1.4 Non-derivative financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Interest-bearing borrowings

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

1.5 Tangible fixed assets

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets, goodwill and negative goodwill

Goodwill

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

Research and development

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

Other intangible assets

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

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

Amortisation

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

1.7 Stocks

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

1.8 Provisions

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

1.9 Turnover

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

1.10 Expenses

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

Notes (continued)

1 Accounting policies (continued)

1.10 Expenses (continued)

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

1.11 Taxation

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

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

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

1.12 Pensions

Defined contribution plans

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

Defined benefit plans

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

Notes (continued)

1 Accounting policies (continued)

1.13 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:

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

Notes (continued)

1 Accounting policies (continued)

1.13 Leases (continued)

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 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.

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 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.

Notes (continued)

1 Accounting policies (continued)

1.14 New standards, amendments and IFRIC interpretations (continued)

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 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.

1.15 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	40,773	-	40,773
Property, Plant & Equipment	17,222	-	17,222
Right of use assets	-	2,076	2,076
Deferred tax assets	345	-	345
Inventories	6,397	-	6,397
Trade and other receivables	68,061	-	68,061
In-house bank (Amounts owed from group undertakings)	14,350	-	14,350
Total Assets	147,148	2,076	149,224
Shareholders' Equity	46,541	-	46,541
Long -term borrowings	25,291	1,700	26,991
Short -term borrowings	-	376	376
Current tax liabilities	3,649	-	3,649
Trade and other payables	71,667	-	71,667
Total equity and liabilities	147,148	2,076	149,224

The adoption of IFRS 16 as per January 1, 2019, has resulted in the recognition of right-of-use assets of £2,076,000, and additional lease liabilities of £2,076,000. In the statement of income, the operating lease expenses (£398,000), previously recorded in operating income, are replaced by the depreciation charges on right-of-use assets (£365,000); remains recorded in operating income) and by Interest expenses for the lease liability (£35,000; recorded in net financing expenses). On a net basis, the adoption of IFRS 16 has led to an increase of operating income by £33,000 and an increase of net financing expenses by £35,000; profit before tax was £2,000 lower and profit for the period was £2,000 lower.

Notes (continued)

1 Accounting policies (continued)

1.15 Impact of Adoption of IFRS16 on the company balance sheet (continued)

The blended incremental borrowing rate applied to the lease liabilities at January 1, 2019, was 1.4%. 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	2019
Operating lease commitments as at December 31 st 2018	2,496
Low-value and short-term leases recognised on a straight-line basis as expense	(16)
Total undiscounted lease commitments	2,480
Discounting of lease commitments	(404)
Lease liability recognised at January 1st 2019	2,076

1.16 Critical accounting estimates and judgements

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

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

(a) Useful economic lives of tangible fixed assets

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

(b) Inventory provisioning

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

(c) Impairment of debtors

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

(d) Impairment of non-financial assets

When assessing impairment of non-financial assets, management considers factors including the net asset value, nature of the entity, historical experience (such as political environment) and future cash flows. See note 9 for key judgements in assessing the recoverable value of goodwill.

Notes (continued)

1 Accounting policies (continued)

1.16 Critical accounting estimates and judgements (continued)

(e) Provisions

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

(f) 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 1.13%- 1.92% translating to an average rate of 1.63%. A 100-basis point increase/(decrease) in the rate would cause the lease liabilities to (reduce)/increase by £22,000 and a corresponding (decrease)/increase in the right-of-use assets by the same amount.

Notes (continued)

2 Turnover

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

	2019 £000	2018 £000
United Kingdom	39,536	38,787
Europe	53,623	51,892
Middle East	8,049	7,351
Far East	3,082	3,932
America	903	619
Asia, Australasia and Africa	2,113	1,680
	<u>107,306</u>	<u>104,261</u>

Turnover is derived from the sale of goods.

3 Other operating income

	2019 £000	2018 £000
Royalty income	937	420
	<u>937</u>	<u>420</u>

4 Interest

Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from group undertakings	254	300
	<u>254</u>	<u>300</u>

Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable to group undertakings	(229)	(404)
Lease interest	(35)	-
	<u>(264)</u>	<u>(404)</u>

Notes (continued)

5 Profit/(loss) before taxation

	2019 £000	2018 £000
<i>Profit/(loss) before taxation is stated after charging/(crediting)</i>		
Depreciation – owned tangible asset	2,798	2,675
Depreciation – right-of-use assets	224	-
Intangibles amortisation	1,307	(378)
Operating lease rentals:		
Plant and machinery	-	148
Other	71	396
Research and development expenditure	4,348	4,836
	<u>56</u>	<u>58</u>
<i>Auditors' remuneration:</i>		
Audit of these financial statements pursuant to legislation	56	58
	<u>56</u>	<u>58</u>

6 Remuneration of directors

	2019 £000	2018 £000
Directors' emoluments in respect of qualifying services	308	148
Company contributions to defined benefit pension schemes	71	50
	<u>379</u>	<u>198</u>

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2
	<u>2</u>	<u>2</u>

Remuneration of highest paid director

	2019 £000	2018 £000
Directors' emoluments in respect of qualifying services	195	114
Company contributions to defined benefit pension schemes	36	37
	<u>231</u>	<u>151</u>

Notes (continued)

7 Staff numbers and costs

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

	Number of employees	
	2019	2018
Office and management	46	49
Research and development	52	54
Production	115	117
	<u>213</u>	<u>220</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	8,413	9,153
Social security costs	838	888
Other pension costs	1,882	2,210
	<u>11,133</u>	<u>12,251</u>

8 Tax on profit/(loss)

The tax charge/(credit) consists of the following:

	2019	2018
	£000	£000
<i>UK corporation tax</i>		
Current tax on income	1,510	362
Total current tax	<u>1,510</u>	<u>362</u>
<i>Deferred tax (see note 14)</i>		
Current year	(490)	(491)
Effects of changes in tax rate	1	52
Adjustment in respect of prior periods	353	0
Tax on profit/(loss)	<u>1,374</u>	<u>(77)</u>

Notes (continued)

8 Tax on profit/(loss) (continued)

	2019 £000	2018 £000
<i>Current tax reconciliation</i>		
Profit/(loss) for financial year	5,076	(226)
Tax charge on profit	1,374	(77)
	<hr/>	<hr/>
Profit/(loss) before taxation	6,450	(303)
	<hr/>	<hr/>
Tax on profit/(loss) before taxation at 19.00% (2018: 19.00%)	1,226	(58)
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(76)	55
UK to UK transfer-pricing adjustment	(134)	(126)
Tax rate changes	5	52
Adjustment in respect of prior periods	353	0
	<hr/>	<hr/>
Total current tax (see above)	1,374	(77)
	<hr/>	<hr/>

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 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.

Notes (continued)

9 Intangible assets

	Goodwill £000	Concessions, patents, licences, trademarks and similar rights and assets £000	Total £000
Cost			
At beginning of year	21,370	22,705	44,075
At end of year	21,370	22,705	44,075
Accumulated amortisation and impairment			
At beginning of year	-	3,302	3,302
Charge for the year	-	1,307	1,307
At end of year	-	4,609	4,609
Net book value			
At 31 December 2019	21,370	18,096	39,466
At 31 December 2018	21,370	19,403	40,773

Amortisation of £1,307,000 (2018: £(378,000)) is included in the statement of comprehensive income in administrative expenses.

Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Company's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill 2019 £'000	Goodwill 2018 £'000
Deeside Coatings	21,370	21,370

The recoverable amount of Deeside Coatings has been calculated with reference to its value in use.

The key assumptions of this calculation are shown below:

	2019	2018
Period on which management approved forecasts are based	5	5
Growth rate applied beyond approved forecast period	0%	0%
Weighted Average Cost of Capital	6.9%	6.9%

The growth rates used in value in use calculation reflect a prudent reflection on the current performance of the business.

In calculating this value, management have used the following assumptions: discount rate is based on the current market risks specific to this particular market using weighted average cost of capital; terminal growth rate reflects the expected growth of this unit in a steady state.

Notes (continued)

10 Tangible assets

	Land and buildings £000	Plant and machinery £000	Other operating assets £000	Total £000
Cost				
At beginning of year	6,096	35,103	4,448	45,647
Transition to IFRS16	1,630	446	-	2,076
Additions	56	568	-	624
	<u>7,782</u>	<u>36,117</u>	<u>4,448</u>	<u>48,347</u>
Accumulated Depreciation				
At beginning of year	3,105	21,246	4,072	28,423
Charge for the year	269	2,505	248	3,022
	<u>3,374</u>	<u>23,751</u>	<u>4,320</u>	<u>31,445</u>
Net book value				
At 31 December 2019	<u>4,408</u>	<u>12,366</u>	<u>128</u>	<u>16,902</u>
At 31 December 2018	<u>2,990</u>	<u>13,857</u>	<u>375</u>	<u>17,222</u>

Included in plant and machinery above is £1,320,003 (2018: £2,425,828) in respect of assets under construction which have not been depreciated. Included in the freehold land and buildings is £25,098 (2018: £1,322,868) in respect of asset under construction which is not depreciated.

Also Included in the above line items are right of use assets as follows:

	31 December 2019 £'000	1 January 2019 £'000
Right-of-use-assets		
Buildings	1,546	1,629
Equipment	<u>305</u>	<u>446</u>
	<u>1,851</u>	<u>2,076</u>

11 Stocks

	2019 £000	2018 £000
Raw materials and consumables	3,250	2,816
Work in progress	685	535
Finished goods	<u>3,210</u>	<u>3,046</u>
	<u>7,145</u>	<u>6,397</u>

The cost of inventories recognised as an expense and included in cost of sales amount to £65,864,683 (2018: £68,073,319). The write down of stock to net realisable value amounted to £(159,804) (2018: £ (177,324)).

Notes (continued)

12 Debtors

	2019	2018
	£000	£000
Debtors: amounts falling due within one year:		
Trade debtors	23,882	24,995
Amounts owed by parent undertaking and fellow subsidiary undertakings	64,172	56,746
Other debtors	977	670
Deferred tax (see note 14)	481	345
	<u>89,512</u>	<u>82,756</u>

Amounts owed by group undertakings included an intercompany loan of £40,000,000 (2018: £40,000,000) plus unpaid interest of £142,000. Interest is charged at a rate of 1.70%. The loan matures on 16 September 2020.

Amounts owed by group undertakings included £14,350,312 (2018: £50,401,972) in respect of the Company's share of the cash pooling arrangements (note 16(ii)).

The remainder of Amounts owed by group undertakings are repayable on demand.

13 Creditors

	2019	2018 (restated)
	£000	£000
Creditors: amounts falling due within one year:		
Trade creditors	15,206	15,557
Amounts owed to group undertakings	50,434	52,641
Corporation tax	5,159	3,649
Other creditors	19	-
Accruals	3,501	3,469
Leases	326	-
	<u>74,645</u>	<u>75,316</u>

Creditors: amounts falling due after more than one year:

Amounts owed to group undertakings	25,257	25,291
Leases	1,506	-
	<u>196,224</u>	<u>100,607</u>

Lease liabilities are payable as follows:

	2019	2018
	£'000	£'000
Within 1 Year	326	-
Between two and five years	1,506	-

Amounts owed to group undertakings due within one year are repayable on demand.

Notes (continued)

13 Creditors (continued)

2018 results have been restated to correct the allocation of liabilities between Trade creditors and Amounts owed to group undertakings. The restatement results in a reduction of £42,181,000 in trade creditors and an increase of the same amount in amounts owed to group undertakings. There is no impact on the total creditors position.

Amounts owed to group undertakings due after more than one year included an intercompany loan of £25,000,000 (2018: £25,000,000) plus unpaid interest of £257,000 (2018: £291,000). Interest is charged at a rate of 0.78% plus a margin of 0.84%. The loan matures on 13 April 2022.

14 Deferred tax

	Deferred Taxation asset/(liability)	
	2019 £000	2018 £000
At beginning of year	345	(94)
Credit to the profit and loss account	136	439
	<hr/>	<hr/>
At end of year	481	345
	<hr/>	<hr/>

The amounts for deferred taxation are set out below:

	2019 £000	2018 £000
Capital allowances	481	345
	<hr/>	<hr/>
Deferred tax asset	481	345
	<hr/>	<hr/>

Deferred tax assets are recognised to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised.

15 Called up share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid:</i>		
7,143,820 (2018: 7,143,820) ordinary shares of 25p each	1,786	1,786
7,143,820 (2018: 7,143,820) deferred shares of 25p each	1,786	1,786
	<hr/>	<hr/>
	3,572	3,572
	<hr/>	<hr/>

As regards voting:

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

Notes (continued)

16 Commitments

(i) Annual commitments under non-cancellable operating leases are as follows:	2019	2018
	£000	£000
Within one year	-	414
In the second to fifth years inclusive	-	1,492
More than 5 years	-	590

From 1 January 2019 operating leases were capitalised in line with IFRS 16, see note 17.

(ii) Cash at bank and in hand

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 by 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 £14,350,312 (2018: £50,401,972) in respect of the Company's share of the account.

17 Leases

Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2019	1 January 2019
	£'000	£'000
Right-of-use-assets		
Buildings	1,546	1,630
Equipment	305	446
	<u>1,851</u>	<u>2,076</u>
Lease Liabilities		
Current	326	376
Non-current	1,506	1,700
	<u>1,832</u>	<u>2,076</u>

Notes (continued)

17 Leases (continued)

Additions to the right-of-use assets during the 2019 financial year were £5,000.

(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	2018 £'000
Depreciation charge of right-of-use- assets		
Buildings	(224)	-
Equipment	(141)	-
	(365)	-
Interest expense (included in finance cost)	(35)	-
Expense relating to short-term leases (included in administrative expenses)	(30)	-
Expense relating to leases of low-value assets that are not shown above as short-term (include in administrative expenses)	(41)	-

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

18 Pension Schemes

Defined benefit plans

The Company is a participant in two group wide defined benefit schemes – Akzo Nobel (CPS) Pension Scheme (“CPS”) and ICI Pension Fund (“the ICI PF”). As the legal sponsoring entity for these schemes, the financial statements of Akzo Nobel UK Ltd and Imperial Chemical Industries Limited respectively identify and disclose the information in the plans as prescribed by IAS19 and these financial statements are available from the Company’s registered office at The AkzoNobel Building, Wexham Road, Slough, SL2 5DS or from Companies House. The contributions payable in respect of active members by the participating entities are determined following each triennial valuation conducted by a qualified independent actuary and charged as a percentage of salary costs. The charge recognised by active members in 2019 was £860,917 (2018: £1,182,714). In 2014 and previous years, the contributions payable in respect of any funding deficit was charged to non-sponsoring entities based on a historical analysis of liabilities related to businesses that historically operated within that legal entity. From 2015, the group wide policy has been updated and funding deficits are not charged to sponsoring entities.

Defined contribution plans

The Company also operates a defined contribution pension plan. The total expense relating to this plan in 2019 was £1,020,858 (2018: £1,027,279).

Notes *(continued)*

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

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

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

20 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. The COVID-19 outbreak is a non-adjusting post balance sheet event.

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 will continue to monitor the situation and the impact on the Company.