

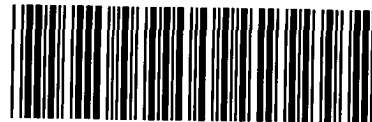
Akzo Nobel Powder Coatings Limited

Annual Report and Financial Statements

Registered number 01725413

31 December 2013

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Strategic Report

The directors present their Strategic Report for the year ended 31 December 2013.

Principal activity

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 to the general industrial market by Cromadex.

Business model

Early in 2013, AkzoNobel launched a new Group strategy aimed at delivering leading performance by building on its leading market positions in paints and coatings.

Central to the Group's vision is a strong focus on four key end-user segments. These end-user segments are Buildings & Furniture, General Metal Finishing, Industrial & Consumer and Transportation. The Company has fully aligned itself with the new strategy. In delivering those four end-user segments, the Company will be able to get closer to its customers and be much more responsive to the dynamics of the markets in which it operates.

To help AkzoNobel and its subsidiaries achieve this vision, a set of strategic focus areas and core processes were developed, driven by a series of key actions.

This disciplined, customer focused approach has become fundamental to the Company's continued success while creating value for all stakeholders.

New business values were launched in 2013 which enabled the Company to implement the strategy and reflect the way it operates & behaves both internally and externally. These values are:

- Customer Focused
- Deliver on Commitments
- Passion for Excellence
- Winning Together

Business review and results

The safety of the Company's employees is our number one priority. The manufacturing and technical operations in Felling continues to be a benchmark for Health and Safety within the Global Business. The Behaviour Based Safety (BBS) program has been escalated and continues to drive focus and improvements on health and safety throughout the UK Operations. The basic principle of BBS is that positive reinforcement promotes safe behaviours. Honest feedback and barrier removal discourages at-risk behaviours. Quality is critical to the success of the business as we differentiate our technology offering and services within the marketplace. Through the use of the Quality Complaints Charter, the Company closely monitors quality and focuses on those areas for continuous improvement.

Raw Material Costs (RMC) were relatively stable during 2013. This enabled a focus on profitable growth throughout the year. The segmentation process which took place at the end of 2012 was carried forward into 2013 in order to support the focus on core markets and to enhance the value which we provide to our customers. The Company customises its developments, technologies, services and knowledge to provide unique solutions to meet the needs of customers. Success has been evident where specification selling has led to both Original Equipment Manufacturers (OEM's) and customers specifying the Company's products on major projects.

Pipeline management continued to be a key program which kept the focus on gaining business from new customers.

Complexity Management was a key focus in 2013 which aided the rationalisation of the Powder stock offering to enable focus on a core range of materials. This facilitated the ability to capture the maximum value in the market whilst minimising the cost of complexity internally.

The programmes which are in place, focus the resources of the business on targets that provide the highest return on the investment of our resources. The directors expect that the Company will continue to grow and maximise sales in 2014.

Strategic Report *(continued)*

Key performance indicators

	2013	2012	2011
Turnover	£50,689k	£49,189k	£48,859k
Loss Before Taxation	(£5,521)	(£10,161k)	(£9,860k)
Gross Margin %	29.68%	32.81%	30.13%

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

A conscious effort by the business to concentrate on four key end-user segments. This focus has resulted in a blend of increased revenue and operating margin.

A strengthening in the UK economy as a whole during 2013 compared with prior years.

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.

Principal risks and uncertainties

There are a few risks and uncertainties that could potentially negatively impact the business:

The success of the Company's business relies heavily on the success of its customers. Consequently, any economic recession which would impact the overall market would also drive down demand within the existing customer base. Should this occur, it is anticipated that the business would offset any sales reduction with cost control measures and an aggressive selling strategy to grow market share.

While 2013 was a period of relative stability with regards to Raw Material Costs (RMC), there is a risk that RMCs could rise in 2014. The increase in RMC in 2012 led to the Company having to increase its prices. There is concern that any future increases due to RMC will lead to a potential loss of business.

Future developments

In line with the AkzoNobel Strategy Update and New Values which were launched across the Group and its subsidiaries BU Powder Coatings decided to reorganise its organisational structure with effect from 1 January 2014. The business is moving to an organisational structure comprising three regional SBUs – Europe, Asia Pacific and Americas, instead of the current five.

The outlook for the Industrial Coatings market for 2014 is mixed and trading conditions continue to be tough. Sales during Q4 2013 were positive and in line with growth in UK manufacturing, however the growth is expected to slow during Q1 2014.

Signed on behalf of the Board



J. Toolan
Director

26th Floor
Portland House
Bressenden Place
London
SW1E 5BG

6th June 2014

Directors' Report

The directors present their Directors' Report and audited Financial Statements for the year ended 31 December 2013.

Research and development

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

Dividends

The loss for the year, before taxation amounted to £5,521,000 (2012: loss of £10,161,000). The directors do not recommend the payment of a dividend (2012: £nil). The retained loss for the year of £4,781,000 (2012: loss of £8,054,000) has been transferred to reserves.

Directors

The directors who held office during and after the period were as follows:

M Osmond	
J Toolan	
O.H. Director Limited	(appointed 19 September 2013)
D Heflin	(resigned 20 November 2013)
S Timmins	(appointed 23 August 2013)
A Hall	(appointed 20 November 2013)
F Rodriguez Haro	(resigned 13 August 2013)
J Ring	(resigned 20 November 2013)
G Macleman	(appointed 13 August 2013, resigned 23 August 2013)
N Shewring	(appointed 1 January 2014, resigned 1 February 2014)

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

In accordance with section 478 (2) of the companies act 2006 the company's auditor is deemed to be reappointed and therefore KPMG LLP will continue office.

Signed on behalf of the Board



S. Timmins
Director

26th Floor
Portland House
Bressenden Place
London
SW1E 5BG

6th June 2014

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 share 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 its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

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

We have audited the financial statements of Akzo Nobel Powder Coatings Limited for the year ended 31 December 2013 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Akzo Nobel Powder Coatings Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

6 June 2014

Profit and Loss Account
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Turnover	2	50,689	49,189
Cost of sales		(35,642)	(33,048)
Gross profit		15,047	16,141
Distribution costs		(4,735)	(6,469)
Administrative expenses (<i>including an exceptional pension contribution of £9,822,000 (2012: £13,231,000)</i>)	3	(16,037)	(19,991)
Operating loss	3-5	(5,725)	(10,319)
Other interest receivable and similar income	6	597	619
Interest payable and similar charges	7	(393)	(461)
Loss on ordinary activities before taxation		(5,521)	(10,161)
Tax on loss on ordinary activities	8	740	2,107
Loss for the financial year	16	(4,781)	(8,054)


The Company had no recognised gains or losses other than the results shown in the profit and loss account.

All results arose from continuing activities.

Balance Sheet
at 31 December 2013

	<i>Note</i>	2013 £000	2012 £000	£000
Fixed assets				
Intangible assets	9	9,382	10,453	
Tangible assets	10	4,733	4,594	
		14,115	15,047	
Current assets				
Stocks	11	4,950	4,590	
Debtors	12	17,605	16,175	
Cash at bank and in hand		51,699	32,732	
		74,254	53,497	
Creditors: amounts falling due within one year	13	(115,872)	(91,266)	
Net current liabilities		(41,618)	(37,769)	
Net liabilities		(27,503)	(22,722)	
Capital and reserves				
Called up share capital	15	20,002	20,002	
Profit and loss account	16	(47,505)	(42,724)	
Shareholders' deficit		(27,503)	(22,722)	

These financial statements were approved by the board of directors on 6th June 2014 and were signed on its behalf by:



J. Toolan
Director

Reconciliation of Movements in Shareholders' (Deficit)/Funds
for the year ended 31 December 2013

	2013	2012
	£000	£000
Loss for the financial year	(4,781)	(8,054)
Opening shareholders' deficit	(22,722)	(14,668)
	<hr/>	<hr/>
Closing shareholders' deficit	(27,503)	(22,722)
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Akzo Nobel N.V., the Company has taken advantage of the exemption contained in FRS No 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Akzo Nobel N.V., within which the Company is included, can be obtained from the address in note 19.

Going concern

At the year end the Company had net current liabilities of £41.6m including cash at bank of £51.7m. The Company manages its day to day working capital requirements through its available cash resources and cash flow from operating activities, supported by financial support and funding available from its ultimate parent undertaking, if required. During the year the Company has been required to make a contribution in the year of £9.8m towards the Akzo Nobel (CPS) Pension Scheme which is held as amounts owed to group undertakings. In this regard the Company has received confirmation from Akzo Nobel N.V., its ultimate parent undertaking, that it will continue to provide such financial and other support as the Company may require, to enable it to meet its liabilities as they fall due, for at least twelve months following the date of approval of these financial statements, and thereafter for the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Turnover

Turnover represents the value of goods and services supplied to customers exclusive of VAT.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business acquisitions is capitalised. Positive goodwill is amortised to £nil by equal annual instalments over the estimated useful life as assessed by the directors.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 2% per annum
Plant and machinery	- 10% per annum
Fixtures and fittings	- 20% per annum

No depreciation is provided on freehold land.

Notes (continued)

1 Accounting policies (continued)

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is defined as "costs incurred bringing each product to its present location and condition", which are as follows:

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred completing and delivering the goods.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction, and hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

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

Post-retirement benefits

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Since 1 January 2005, the Company has participated in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period (see note 18).

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- 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

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company (continued)

- 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.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2 Analysis of turnover

The turnover and loss on ordinary activities before taxation are fully attributable to the production and sale of Powder Coatings.

An analysis of turnover by geographical market is given below:

	2013 £000	2012 £000
<i>Continuing operations</i>		
United Kingdom and Eire	45,370	44,530
Europe	5,319	4,659
	<hr/> 50,689	<hr/> 49,189

The analysis of operating profit by geographical market has not been disclosed. In the opinion of the directors, such disclosure would be prejudicial to the interests of the company.

An analysis of turnover by activity is given below:

	2013 £000	2012 £000
<i>Continuing operations</i>		
Sale of powder coatings	35,173	33,346
Sale of wet paint	15,516	15,843
	<hr/> 50,689	<hr/> 49,189

Notes (continued)

3 Notes to the profit and loss account

	2013 £000	2012 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation of owned tangible fixed assets	658	648
Hire of plant and machinery – operating leases	56	58
Hire of other assets – operating leases	487	651
Amortisation of goodwill	1,071	1,021
Contribution to pension deficit	9,822	13,231
Other restructuring costs – redundancy costs	241	370
Research and development expenditure	5,068	4,929
Exchange loss	155	(87)

In the current year the company made a contribution of £9,822,000 (2012: £13,231,000) towards the deficit in the Akzo Nobel (CPS) pension scheme.

	2013 £000	2012 £000
<i>Auditor remuneration</i>		
- audit of these financial statements	23	21

Amounts receivable by the Company's auditor 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.

4 Remuneration of directors

	2013 £000	2012 £000
Directors emoluments	382	393
Number of directors who were members of the defined benefit scheme	5	4

Emoluments attributable to the highest paid director are £121,311 (2012: £129,160) and contributions of £119 were made to the defined benefit scheme on his behalf in the year. At the year end, the accrued pension benefit of the highest paid director is £58,838 a year.

5 Staff numbers and costs

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

	Number of employees	
	2013	2012
Office and management	136	137
Production and other	75	77
	211	214

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	7,628	7,180
Social security costs	691	645
Redundancy costs	241	370
Pension costs (note 18 – defined contribution)	1,459	1,392
	<u>10,019</u>	<u>9,587</u>

6 Other interest receivable

	2013 £000	2012 £000
Bank interest	<u>597</u>	<u>619</u>

7 Interest payable

	2013 £000	2012 £000
On bank loans and overdrafts	<u>393</u>	<u>461</u>

8 Taxation

Analysis of (credit)/charge in period

	2013 £000	£000	2012 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	1,252		2,509	
Adjustments in respect of prior periods	-		149	
	<u>1,252</u>		<u>2,658</u>	
Total current tax		1,252		2,658
<i>Deferred tax (note 14)</i>				
Origination/reversal of timing differences	(289)		(370)	
Change in tax rate	(223)		(181)	
	<u>(512)</u>		<u>(551)</u>	
Tax on loss on ordinary activities		<u>740</u>		<u>2,107</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax credit for the current period

The current tax credit for the period is lower (2012: higher) than the standard rate of corporation tax in the UK 23.25% (2012: 24.5%). The differences are explained below.

	2013 £000	2012 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(5,521)	(10,161)
Current tax at 23.25% (2012: 24.5%)	1,284	2,489
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(321)	(323)
Capital allowances for period (in excess of)/less than depreciation	(209)	(180)
Adjustments in respect of prior periods	-	149
Other timing differences	498	523
Total current tax credit (see above)	1,252	2,658

Factors that may affect future current and total tax charges

On 3 July 2012 a change in the rate of corporation tax was substantively enacted, reducing the rate from 24% to 23%, being effective from 1 April 2013. Therefore the standard rate of corporation tax for 2013 was 23.25% (2012: 24.5%).

In the Autumn 2012 Budget statement a further rate change was announced reducing the rate from 23% to 21% effective 1 April 2014 and in the budget of 20 March 2013 this 21% rate was further reduced to 20% effective from 1 April 2015. Both of these changes were substantively enacted on the 2 July 2013 and therefore any deferred tax asset at 31 Dec 2013 is recorded at 20%.

9 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	21,713
<i>Amortisation</i>	
At beginning of year	11,260
Charge in year	1,071
At end of year	12,331
<i>Net book value</i>	
At 31 December 2013	9,382
At 31 December 2012	10,453

Goodwill arising on the trade and net assets of businesses transferred to the Company is being amortised in full, on a straight line basis, between 5 and 20 years. This is the period over which the directors consider that benefit will be derived.

Notes (continued)

10 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At beginning of year	2,416	20,495	1,377	24,288
Additions	7	259	641	907
Transfers (out) / In	491	(2,678)	2,187	-
Write Off	-	(11,502)	(785)	(12,287)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,914	6,574	3,420	12,908
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	2,153	16,254	1,287	19,694
Charge for year	27	376	255	658
Transfers (out) / In	594	(1,019)	337	(88)
Write Off	-	(11,304)	(785)	(12,089)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,774	4,307	1,094	8,175
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2013	140	2,267	2,326	4,733
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	263	4,241	90	4,594
	<hr/>	<hr/>	<hr/>	<hr/>

A detailed physical assets verification exercise was conducted in the financial year. The records of the company were updated to reflect the assets in existence. A write off to the profit and loss of £108,804 was recorded in the financial year.

11 Stocks

	2013 £000	2012 £000
Raw materials and consumables	896	976
Finished goods and goods for resale	4,054	3,614
	<hr/>	<hr/>
	4,950	4,590
	<hr/>	<hr/>

12 Debtors

	2013 £000	2012 £000
Trade debtors	8,328	7,430
Amounts owed by group undertakings	471	778
Other debtors	423	400
Prepayments and accrued income	381	304
Corporation tax	6,496	5,245
Deferred tax (see note 14)	1,506	2,018
	<hr/>	<hr/>
	17,605	16,175
	<hr/>	<hr/>

Notes (continued)

13 Creditors: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	5,051	4,102
Amounts owed to group undertakings	109,116	85,060
Taxation and social security	778	675
Other creditors	73	171
Accruals and deferred income	854	1,258
	<u>115,872</u>	<u>91,266</u>

14 Deferred taxation

	Deferred tax asset £000
At beginning of year	2,018
Charge for the year (see note 8)	(512)
At end of year	<u>1,506</u>

The elements of deferred taxation are as follows:

	2013 £000	2012 £000
Difference between accumulated depreciation and amortisation and capital allowances	1,506	1,526
Other timing differences	-	492
	<u>1,506</u>	<u>2,018</u>

In addition to the deferred tax asset recognised of £1,506k, a deferred tax asset relating to tax losses incurred in 2010 has not been recognised at the balance sheet date. The gross tax losses of £7,495k are carried forward at nil value. The losses have not been recognised on the basis that there are insufficient forecast taxable profits in the Company against which they can be used. At a tax rate of 20% this would give an additional deferred tax asset of £1,499k (2012: £1,723k at a rate of 23%).

Notes (continued)

15 Called up share capital

	2013 £000	2012 £000
<i>Allotted, called up and fully paid:</i>		
20,002,000 Ordinary shares of £1 each	20,002	20,002

16 Reserves

	Profit and loss account £000
At beginning of year	(42,724)
Loss for the year	(4,781)
At end of year	(47,505)

17 Commitments

- (a) The Company has capital commitments of £nil at the end of the current year (2012: £nil).
- (b) Annual commitments under non-cancellable operating leases are as follows:

	2013		2012	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
<i>Operating leases which expire:</i>				
Within one year	192	143	257	178
Within second to fifth year inclusive	403	49	519	190
	595	192	776	368

18 Pension scheme

Akzo Nobel UK Pension Scheme.

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

Akzo Nobel (CPS) Pension Scheme

The Company participates in the Akzo Nobel (CPS) Pension Scheme ("the CPS scheme") providing benefits based on final pensionable pay.

The CPS scheme is a multi-employer scheme in which the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and, as permitted by Financial Reporting Standard 17 "Retirement Benefits", the scheme has been accounted for in these financial statements as if the scheme was a

Notes (continued)

18 Pension scheme (continued)

defined contribution scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme.

Actuarial valuations are carried out every three years by a qualified independent actuary. The latest full actuarial valuation was carried out at 31 March 2012. At this valuation date the market value of the scheme assets was sufficient to cover 87% (31 March 2009: 71%) of the benefits that had accrued to members at that date.

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme. The employer contribution rates applicable during 2013 were 34% of pensionable pay for the first three months and then 32.8% for the remaining nine months based upon the 2009 and 2012 actuarial valuations.

Following the 2012 valuation an updated recovery plan was agreed. Additional contributions totalling £385.4 million were agreed to be paid to the CPS scheme between 2013 and 2018 with £67.0 million paid in 2013. The portion of this additional contribution that was charged to the Company in relation to the 2013 payment was £9,822,000 (2012: £13,231,000). The portion of the additional contribution for the years 2014 to 2018 that will be charged to the Company is as yet unknown.

The CPS scheme is included within the group accounts of the ultimate parent company, Akzo Nobel N.V., and valued under International Accounting Standard 19 "Employee Benefits". At 31 December 2013 the funded status valuation was a deficit of £91 million (2012: £331 million deficit). This valuation is not used to determine the funding requirements under UK pension regulations and therefore has no impact upon the Company. The contribution rate and top up contributions affecting the Company during 2013 are as disclosed above and were set at the 2009/2012 full actuarial valuations.

Akzo Nobel Benefit Builder Retirement Plan

The Company is also a member of the Akzo Nobel Benefit Builder Retirement Plan providing benefits based on contributions made. There were no outstanding or prepaid contributions at the beginning or end of the financial year.

During the year the Company's membership of the Akzo Nobel (CPS) Pension Scheme Defined Contribution Section ceased and all members transferred into the Akzo Nobel Benefit Builder Retirement Plan.

Total contributions paid

The total contribution made by the Company during the year to both the defined benefit and defined contribution plan, including the Company's share of the deficit recovery plan was £11,218,000 (2012: £14,623,000).

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