

Crown Paints Limited

Annual report and financial statements

Registered number 06624576

31 December 2020



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Strategic report

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

Principal activities

The principal activity of the Company during the year continued to be the manufacture and distribution of paint products. The directors expect the general level of activity to continue for the foreseeable future.

Business Strategy and Objectives

The Hempel Group have continued with their strategy called Journey to Excellence and have strengthened the focus of the strategy through introducing a House of Priorities. This is aimed at allowing the group to grow faster than the market by being customer-centric and achieving higher profitability through operational excellence. Crown Paints Limited are proud to be part of Hempel and we have aligned our strategy to the Journey to Excellence and House of Priorities. The strategy, which continued to the end of 2020, focussed on delivering sustainable growth supported by strong brand investment and second to none personal service for our customers. In early 2021 Hempel Group launched the next 5 year strategy programme, Double Impact. This continues to build upon the Journey to Excellence and Crown Paints continue to be a strategic entity within the strategy. We have also adopted the core values of Hempel as we continue to endeavour to brighten the lives of our customers by making paint personal.

The Business model

Crown Paints Limited is a locally managed business, backed by a strong and supportive parent, with a clear focus on delivering value to its customers across the UK, Ireland and export. The Company manufactures and distributes paints and wood finishes to customers either directly, through a network of merchants or via own outlets. The Company has an established brand portfolio and it is this, together with excellent service and quality which delivers value to our customer channels.

Key risks and uncertainties

The main risks and uncertainties facing the Company are principally related to changes in the UK retail landscape, the impact of government policy on big infrastructure projects and credit risk. The other risks are the departure of the UK from the European Union along with the current COVID-19 pandemic. These have brought challenges, specifically around raw material supply which we are managing with a dedicated team to ensure minimal disruption to the companies supply chain which is the key concern.

The original uncertainty around Brexit during 2020, has resulted in some cost increases around export and import of finished goods and raw materials, however, the potential risk in delays has eased during the start of 2021. There is potentially still a risk around changing legislation which could introduce more complexity. Crown's contingency plans have been robust in navigating the early issues faced with the UK leaving the European Union. Inventory continues to be closely monitored and the Company is holding additional inventory of key fast moving products. The leadership team will continue to monitor the situation and plan accordingly.

COVID-19 provided significant uncertainty during 2020, however the impact on the paint industry has been favourable. The leadership team continue to watch for economic indicators and should demand reduce, there are measures that the business can take to offset this.

The directors use a combination of resources to mitigate the risks where possible. These include a diversified product portfolio and a wide customer spread enabling the business to maximise sales to as broad a market as possible, implementing flexible operating practices allowing the Company to vary its cost base and using the assistance provided by the government to limit the impact on profitability during the COVID-19 crisis.

The directors continue to monitor the primary risks faced by the Company and have investment or contingency plans in place which will mitigate fully the risks that have been identified.

Financial risk management

The Company's operations expose it to a variety of financial risks that includes the effects of changes in credit risk, liquidity and cashflow risk. The directors are aware that the Company is susceptible to such changes and has in place a risk management programme that seeks to limit and mitigate the adverse effects on the financial performance of the company by monitoring levels of cash. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the finance department of the Company.

Strategic report (continued)

Financial risk management (continued)

Credit risk

The effects of credit risk are controlled as the Company has strictly applied policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to a limit. Any amounts due and amounts overdue are reviewed regularly and appropriate action taken.

Liquidity and cashflow risk

The Company is part of the cash pooling arrangements for the Hempel Group with Hempel A/S and actively monitors its cash position on a regular basis through weekly analysis. Any additional funding required would be facilitated through Hempel A/S.

Performance measurement and future developments

Both the retail and trade paint markets in the UK remain highly competitive trading environments. However, business performance during the year has been robust with the demand increasing due to changing market conditions driving demand for home improvements. This had led to a significant increase in revenues of 15.3%. The Company has grown significantly in the retail sector due to the rise in DIY market and managed to grow the Trade sector despite significant impacts across many large scale construction projects impacting the market.

The Company will continue to invest heavily in the brand and in delivering a continuing improvement in service levels, product choice and quality. It will also continue to invest heavily in manufacturing and supply chain, delivering best in class efficiency improvements in productivity and output. Total capital expenditure in the year stood at £6.7m, reflecting this commitment.

Total net assets increased by 20% on 2019 and the performance in the year, including the management of net working capital, saw an increase of £15.2m in the cash pooled funds held with the ultimate parent company.

The Company values the strength of relationship that it has with many customers across its wide customer base and continues to measure this relationship through non-financial KPIs such as quality and service. The primary financial measures used by the Company are:

	2020	2019
Gross Margin %	44.8%	44.8%
Operating Profit %	8.3%	5.2%

Although sales have increased the gross margin has remained stable due to the extra costs needed to ensure safe working environment within manufacturing, raw materials remain high further putting pressure on gross margin. Overall profitability has improved with a robust cost control during the pandemic and further benefits driven from government policies reducing our cost base.

In line with market forecasts, the Company expects a reduction of market growth in 2021, returning to pre-pandemic levels. The Directors believe that uncertainties in both trade and retail market due to COVID-19 together with increased competition and increasing raw material costs, will lead to another challenging year. The Company will continue to offer value, innovation, service and choice to existing customers across the brand portfolio to maximise growth opportunities, whilst working with new customers to explore further opportunities for growth.

Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company.

Strategic report *(continued)*

Section 172(1) Statement *(continued)*

In this S172 statement the directors explain how they have:

- engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of the principal strategic decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to Crown Paints Limited, and the level of information disclosed is consistent with the size and the complexity of the business.

Section 172(1) (A) "The likely consequences of any decision in the long term"

The directors understand the business and the evolving environment in which we operate. In line with the Hempel Group strategy, the Board is intended to deliver sustainable growth whilst ensuring continued value, quality and excellent service in the manufacture and distribution of paints and wood finishes.

In 2020, to help achieve the strategic ambition, the Board oversaw continued investment in its manufacturing facilities, supply chain and the retail network. As well as long term growth, the Board also recognised the potential impact arising from the inherent uncertainty surrounding the UK's terms of trade with the European Union when the current transition period ends. Crown ensured the effects of the new border and customs controls were diligent managed and alignment with new customs regulations and standards.

Section 172(1) (B) "The interests of the Company's employees"

The Board recognises that the Company's employees are fundamental to our business and delivery of the strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From pay and benefits to the health, safety and workplace environment, the directors ensure they remain a responsible employer. Development is also important to the Board and Hempel Group and is actively encourage through local and group-wide activities.

In 2020 the Company's employees were invited to participated in Hempel Group's employee survey to capture the opinions and satisfaction of its employees. The results of this are followed up with further engagement and action plans where feasible alongside the Company's strategy. The Board also factors the implications of decision on employees where relevant and feasible.

It is the Company's policy to provide equal opportunity for employees or applicants for employment, adhering to The Equality Act 2010.

Section 172(1) (C) "The need to foster the Company's business relationships with suppliers, customer and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers and customers. We follow certain general principles in our third-party relationships, including ethical business practices and complete adherence to laws and regulations. The application of these principles are an important factor in the decision to enter or remain in such relationships.

The company has an approved supplier process to ensure the integrity of our supply chain and the Board and commercial teams continuously assess the priorities related to customers and those with whom we do business.

The company has a strong relationship with our trade body the British Coating Federation and contributes to key insights for the industry.

Strategic report (continued)

Section 172(1) Statement (continued)

Section 172(1) (D) “The impact of the Company’s operations on the community and the environment”

Sustainability is key in the Company’s strategic ambitions and the Board are keen to align economic success with social and environmental responsibilities. The Company has a sustainability programme introduced in 2008 encompassing all of the sustainability activity within the business, our commitment to be more sustainable, less wasteful and to help our customers make responsible decisions about our world. Crown was proud to introduce the first fully post-consumer waste paint packaging to market and continues to look to further the use of PCW within its portfolio.

The Company works in partnership with a local social enterprise, who provide waste recovery and recycling services to our UK operations whilst offering employment opportunities for the hard to reach and long term unemployed in the local community.

The Company’s employees contribute to the selection of charity partners and together with other initiatives such as Community Awards, we offer financial support, mentoring initiatives and engagement with the local community.

At the heart of the Hempel Group, The Hempel Foundation provides a solid economic base for the Hempel Group and aid for cultural, humanitarian, scientific and artistic purpose, with special focus on education for children in need. The Company’s employees are encouraged to take an active role in corporate responsibility by volunteering their time to the Hempel Foundation’s educational projects across the world and ultimately the distributions made by the Company help fund the activities of the Hempel Foundation.

Section 172(1) (E) “The desirability of the Company maintaining a reputation for high standards of business conduct”

The Board ensures the Company maintains high standards of business conduct. Hempel Group policies, including the Business Ethics Policy and Code of Conduct, are embedded into the Company’s practices and employees are periodically refreshed on related content. In addition, local policies are maintained, taking into account local law and best practice, such as the Standards of Conduct within the Employee Handbook. This, together with clear communication of compliance with relevant governance standards, helps assure the Company will act in ways to promote high standards of business conduct, ensuring the strategic goals of the Company are achievable.

Section 172(1) (F) “The need to act fairly as between members of the Company”

The directors, taking onboard all relevant factors, will consider which course of action best enables delivery of the strategy, considering the impact on the stakeholders. In doing so, our directors act fairly as between the Company’s members. As part of the Hempel Group, the Company benefits from a strong and supportive relationship with its shareholders.

On behalf of the board:



Philip Carmelo Cefai
Director
27 September 2021

Directors' report

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

Business review

The results for the year are set out in the financial statements on page 14, showing turnover of £212,820,000 (2019: £184,508,000) for the year and a profit for the financial year of £13,512,000 (2019: £7,157,000). The directors have provided commentary on the result within the Strategic Report.

Future developments

These have been discussed and incorporated within the Strategic Report.

Dividends

The Company paid dividends of £10,000,000 in the year (2019: £8,000,000) as disclosed in note 22. No further dividends have been proposed for the year (2019: £nil).

Research and development

The Company carries out research and development in support of existing activities, specific new product development and the improvement of production processes. Annual spend is disclosed in note 7.

Anti-bribery and corruption

It is our policy to conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery and corruption.

Directors

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

Craig Andrew Ballantyne
Philip Carmelo Cefai
Joseph Devitt
Philip James McDonald
Darryl Lee Senior

Stakeholder Engagement Statement (including employee engagement)

The S172 statement published by Crown Paints Limited sets out in detail how the Board have engaged with stakeholders, including customers, suppliers, employees, shareholders, trade associations and the community.

The Board believes that the Company will only succeed by working with stakeholders, particularly at a time when society in general faces issues as complex and challenging as the COVID-19 pandemic.

Our Customers

The long term strategy of the Company encompasses second to none personal service for our customers. We value lasting relationships with our customers and provide forums for two way communication and working collaboratively.

Our Suppliers

The Company has an approved supplier process to ensure the integrity of our supply chain and maintains regular communication with key suppliers. High standards of business conduct are maintained in dealing with suppliers as group and local policies, including the Business Ethics Policy and Code of Conduct, are embedded into working practices and employees are periodically trained on related content. We are committed to treating our suppliers fairly and reporting on our payment practices.

Directors' report *(continued)*

Stakeholder Engagement Statement (including employee engagement) *(continued)*

Our People

The Board recognises that the Company's employees are fundamental to our business and delivery of the strategic ambitions. The success of our business depends on attracting, retaining and motivating employees.

Employees are periodically invited to presentations on the financial results and future strategy for both the Company and the wider Hempel group to instil the impact employees can have on the business. Regular team meetings and other communication forums are greatly encouraged as a valuable tool for ensuring employees are systematically provided with information on matter of concern and provides an outlet for employees to contribute.

The S172 statement within the Strategic Report provides further detail on how the Company engaged with its employees.

Our Shareholders

As part of the Hempel Group, the Company benefits from a strong and supportive relationship with its shareholders and understands its vision for the future.

Our Community

The Company is committed to investing into communities through various charitable and local initiatives. The Hempel Foundation provides the backdrop for all companies within the group to engage with the community; specific details have been provided in the S172 statement within the Strategic Report.

Employees and employment of disabled persons

The directors recognise the importance of employee involvement in the operation and development of the business. This involvement entails good communications, which is achieved at both group and divisional levels through regular works council meetings four times a year, management announcements on specific matters arising, regular meetings and conferences.

The Company's policy is to consider all job applications by disabled persons sympathetically in relation to the duties, responsibilities and physical requirements of the vacancies, the aptitudes of the applicants, including the nature of the disability, the working environment and the facilities required for the effective performance of the job by the applicant.

If any existing employee becomes disabled, the Company will examine any effects of the disability on current job performance and take all practicable steps to maintain the employee's continued employment through the provision of appropriate retraining, changes in working facilities or, with mutual agreement, the provision of alternative employment more closely related to the employee's capabilities.

The Company will continue to identify and monitor the employment of Registered Disabled Persons to determine its position in relation to current statutory requirements. See the S172 statement on pages 2-4 for more information.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (SECR)

The SECR published by Crown Paints Limited provides the Company's emissions and energy usage. Hempel's strategic goal to become a sustainability leader is focussing the directors and employees on their values and behaviours to reduce the Company's impact on the environment.

The reported 2020 figures are not representative of the normal business energy use and the reduction on the 2019 baseline do not reflect actual energy savings but are as a result, in the main, of the impact of the COVID-19 pandemic.

The directors have assurance on the data reported as it has been calculated and independently verified by Carbon Decoded, as specialist energy management consultancy.

Reporting methodology

The greenhouse gas (GHG) reporting has been prepared in accordance with the GHG Protocol Corporate Accounting and Reporting Standard where possible, adapted to suit the business and large unquoted company requirements. The 2019 and 2020 UK government conversion factors for company reporting were used for all calculations of carbon emissions.

The basis used for SECR reporting is the financial control approach. All Crown Paints Limited sites have been incorporated in the reporting, which are solely based in the UK, with no additional global emissions to report.

Estimated data

In November 2020, a major fire occurred at a sub-station resulting in Darwen losing electricity supply for 17 days. Generators were provided running on gas oil to support the site. The totals provided for SECR reporting for electricity therefore include a calculation for this period alongside the additional gas oil required.

The landlord at one retail site does not provide consumption, so this has been estimated based on floor area.

In addition, some assumptions have been made on the Company's van data.

Global GHG emissions data in metric tonnes CO₂e

	2020		2019		Year on year change	
	% estimated	Tonnes CO ₂ e	% estimated	Tonnes CO ₂ e	Tonnes CO ₂ e	%
Scope 1 – combustion of fuels						
Natural gas	0%	4,357	0%	4,899	-542	-11%
Fork lift gas oil	0%	52	0%	25	27	108%
Gas oil generator for supply loss	100%	156	-	-	156	-
LPG	0%	235	0%	199	36	18%
Company vehicles	65%	1,130	60%	1,791	-661	-37%
Scope 1 total		5,930		6,914	-984	-14%
Scope 2 – purchased energy						
Water and oil based paints	1%	1,115	0%	1,139	-24	-2%
Polymer plant	24%	321	0%	279	42	15%
Non-manufacturing and retail sites	1%	1,236	0%	1,355	-119	-9%
Company electric vehicles	0%	-	0%	-	-	-
Scope 2 total		2,672		2,773	-101	-4%
Scope 3 – business travel						
Hired vehicles	0%	68	0%	42	26	62%
Scope 3 total		68		42	26	62%
Gross CO₂e footprint		8,670		9,729	-1,059	-11%

Directors' report (continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

Intensity ratio

The Company produces a number of different products and services across the business. Therefore, there are a number of intensity ratios required to enable year on year comparisons, including per 100,000 litres of paint produced or by floor area. The table below details the relevant intensity ratio used in each instance.

	Intensity ratio	2020	2019
Scope 1 – combustion of fuels			
Natural gas	CO2e / floor area 1000 m2	43.0	48.5
Fork lift gas oil	CO2e / 100,000 litres	0.6	0.3
LPG	CO2e / 100,000 litres	2.5	2.6
Company vehicles	CO2e / 1000 miles	0.3	0.3
Scope 2 – purchased energy			
Water and oil based paints	CO2e / 100,000 litres	11.9	15.1
Polymer plant	CO2e / 1,000 tonnes	24.9	25.9
Non-manufacturing and retail sites	CO2e / floor area 1000 m2	12.3	14.1
Company electric vehicles	CO2e / 1000 miles	-	-
Scope 3 – business travel			
Hired vehicles	CO2e / 1000 miles	0.3	0.3
Total energy use kWh			
		43,089,580	45,663,435

Energy Efficiency Actions

There has been a 27% fall in electricity at the Company's head office, where electricity is the source for heating, following the replacement of the roof late in 2019. Other factors in the reduction will include the impact of employees working from home during the COVID-19 disruptions in 2020.

2020 has seen significant improvement in data quality for the Crown retail network with a significant decrease in unbilled sites; an improved regime for new sites which ensure they are tracked and moved to Crown's preferred supplier as soon as possible; and further work with suppliers to ensure all store meters are converted to SMART meters. With the focus on organisational changes to adapt the business for COVID-19 during 2020, the business managed to convert an additional five stores to LED lighting alongside all seven new stores opened in 2020.

The Company has also invested in new petrol hybrid vehicles for the Crown fleet which now make up 42% of the company owned cars.

Directors' report (continued)

Political Donations

No political donations have been made in the year (2019: £nil)

Going Concern

The Company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the Company's products; and (b) the availability of bank finance for the foreseeable future. The directors have considered the net current asset position of the company as at 31 December 2020 of £1,366,000 (31 December 2019: net current liabilities £566,000) as well as the cash flows of the company, taking into account expected cash flows as well as considering the terms of intercompany balances and intergroup cash pooling agreements.

The Company's forecasts and predictions, taking account of reasonably possible changes in trading performance, show that the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future, due to the financial support in place from the ultimate parent, Hempel A/S. This financial support confirms that the parent company will support the Company to meet its debts as they fall due for a minimum of 12 months from the date of signing these financial statements. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements. The Company therefore, continues to adopt the going concern basis in preparing its financial statements.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

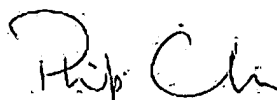
Strategic report

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management, exposure to risk and future developments.

Independent auditors

PricewaterhouseCoopers LLP resigned as auditors during the period and in replacement RSM UK Audit LLP were appointed. RSM UK Audit LLP offer themselves for re-appointment as auditors in accordance with section 487 of the Companies Act 2006.

On behalf of the board:



Philip Carmelo Cefai
Director
27 September 2021

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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


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

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board:



Philip Carmelo Cefai
Director
27 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROWN PAINTS LIMITED

Opinion

We have audited the financial statements of Crown Paints Limited (the 'company') for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROWN PAINTS LIMITED *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROWN PAINTS LIMITED *(continued)*

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006 . We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures .

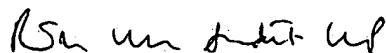
The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to Health and Safety Regulations and Product Quality Compliance. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations and inspected correspondence and documentation where relevant.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, if any, and challenging judgements and estimates applied in the valuation of stock provisions and the valuation of dilapidation provisions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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.



Dale Thorpe (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
9th Floor
3 Hardman Street
Manchester
M3 3HF

27 September 2021

Profit and loss account
for the year ended 31 December 2020

	<i>Note</i>	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Revenue	5	212,820	184,508
Cost of sales		(117,460)	(101,779)
		<hr/>	<hr/>
Gross profit		95,360	82,729
Distribution costs		(69,469)	(65,337)
Administrative expenses		(10,919)	(7,801)
Other operating income	6	2,792	-
		<hr/>	<hr/>
Operating profit	7	17,764	9,591
Interest receivable and similar income	10	-	40
Interest payable and similar expenses	11	(864)	(797)
		<hr/>	<hr/>
Profit before taxation		16,900	8,834
Tax on profit	12	(3,388)	(1,677)
		<hr/>	<hr/>
Profit for the financial year		<u>13,512</u>	<u>7,157</u>

All activities derive from continuing operations.

No other comprehensive income has been recognised in the year (2019: £nil)

Balance Sheet

As at 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	408	789
Property, plant and equipment	14	27,039	24,347
Investments	15	-	-
		<u>27,447</u>	<u>25,136</u>
Current assets			
Inventories	16	27,432	23,597
Trade and other receivables	17	45,243	30,225
Cash at bank and in hand		95	86
		<u>72,770</u>	<u>53,908</u>
Creditors: amounts falling due within one year	18	(71,406)	(54,474)
Net current assets / (liabilities)		<u>1,364</u>	<u>(566)</u>
Total assets less current liabilities		<u>28,811</u>	<u>24,570</u>
Provisions for liabilities	20	(7,463)	(6,734)
Net assets		<u>21,348</u>	<u>17,836</u>
Capital and reserves			
Called up share capital	21	-	-
Retained earnings	23	21,348	17,836
Total equity		<u>21,348</u>	<u>17,836</u>

The notes on pages 17 to 33 are an integral part of these financial statements.

These financial statements on pages 14 to 33 were approved by the board of directors on 27 September 2021 and were signed on its behalf by:



Craig Ballantyne
Director

Registered number 06624576

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

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	-	18,679	18,679
Profit for the financial year	-	7,157	7,157
Transactions with shareholders recorded directly in equity			
Dividends (note 22)	-	(8,000)	(8,000)
Balance at 31 December 2019	-	17,836	17,836
	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	-	17,836	17,836
Profit for the financial year	-	13,512	13,512
Transactions with shareholders recorded directly in equity			
Dividends (note 22)	-	(10,000)	(10,000)
Balance at 31 December 2020	-	21,348	21,348

Notes to the financial statements

1 General Information

Crown Paints Limited ('the Company') manufactures and sells paints and associated products through large DIY and home improvement retailers, independent retailers, trade merchant and its own network of retail stores. The Company has manufacturing plants in the UK and sells primarily to the UK and Ireland.

The company is a private company, limited by shares and is domiciled in the UK. The address of its registered office is Crown House, Hollins Road, Darwen, Lancashire, BB3 0BG.

2 Statement of compliance

The individual financial statements of Crown Paints Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 Summary of significant accounting policies

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

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. Monetary amounts in these financial statements are presented in Sterling and are rounded to the nearest whole £1,000, except where otherwise indicated.

Going Concern

The Company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the Company's products; and (b) the availability of bank finance for the foreseeable future. The directors have considered the net current asset position of the company as at 31 December 2020 of £1,366,000 (31 December 2019: net current liabilities £566,000) as well as the cash flows of the company, taking into account expected cash flows as well as considering the terms of intercompany balances and intergroup cash pooling agreements.

The Company's forecasts and predictions, taking account of reasonably possible changes in trading performance, show that the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future, due to the financial support in place from the ultimate parent, Hempel A/S. This financial support confirms that the parent company will support the Company to meet its debts as they fall due for a minimum of 12 months from the date of signing these financial statements. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements. The Company therefore, continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS 102

FRS102 allows a qualifying entity certain exemptions, if certain conditions have been complied with, including notification of and no objection to the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements which give a true and fair view, in which that member is consolidated.

Notes to the financial statements (*continued*)

3 Summary of significant accounting policies (*continued*)

Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose related parties disclosures including the key management personnel compensation as required by paragraph 33.7 of FRS 102.

Consolidated financial statements

The Company is a wholly owned subsidiary of Crown Paints Holdings Limited and its ultimate parent, Hempel A/S. It is included in the consolidated financial statements of Hempel A/S which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The financial statements are the Company's separate financial statements.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account over the period of the lease; certain leases contain rental uplifts with pre-determined minimum amounts, the amount payable in respect of these uplifts is charged to the profit and loss account as it arises.

Foreign currencies

The Company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign currency gains and losses resulting from the settlement of transactions and from translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance expense'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses)/gains'.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts and rebates allowed by the Company and value added taxes.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the entity.

Notes to the financial statements (*continued*)

3 Summary of significant accounting policies (*continued*)

Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

i) Defined contribution pension plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

ii) Annual bonus plan

The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Interest receivable and interest payable

Interest receivable and interest payable is recognised in the profit or loss as it accrues, using the effective interest method.

Government grants

Grants of a revenue nature are recognised in other income within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough') and the Retail, Hospitality and Leisure Grant Fund. The group has not directly benefited from any other forms of government assistance.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities of other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method as at the acquisition, which is the date the on which control is transferred to the entity.

Notes to the financial statements (*continued*)

3 Summary of significant accounting policies (*continued*)

Business combinations and goodwill (continued)

The cost of a business combination is the fair value of the consideration given, estimated amount of contingent consideration, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights.

Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units that are expected to benefit from the combination.

Goodwill is amortised on a straight line basis over its expected useful life, which is estimated to be 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Tangible fixed assets and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Plant and machinery	-	5 - 50 years
Short leasehold improvements	-	over the life of the lease

Assets under construction, included in plant and machinery, are not depreciated until brought into use.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at their cost to the Company less provisions to reflect any diminution of value, which the directors consider to be of a permanent nature.

Inventory

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the standard cost method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing inventory to its present location and condition. The cost of manufactured finished costs and work in progress includes raw materials, direct labour and other direct costs and related production overheads.

Notes to the financial statements (*continued*)

3 Summary of significant accounting policies (*continued*)

Inventory (continued)

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is

recognised in the profit and loss account. Where a reversal of an impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

In particular:

Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

As part of the Company's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to the statement of comprehensive income as the obligation arises.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (*continued*)

3 Summary of significant accounting policies (*continued*)

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Key management personnel

The Company does not disclose transactions with members of the same group that are wholly owned. Details of amount paid to directors are included within note 8.

4 Critical accounting estimates and judgements

The Company makes estimates and judgements 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.

i) Useful economic lives of tangible assets (Estimate)

The annual depreciation charge for tangible 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.

ii) Inventory provisioning (Estimate)

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

iii) Impairment of trade receivables (Estimate)

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debts and historical experience. Trade receivables are reported net of amounts owed to customers for volume rebates, these amounts are accrued based on a percentage of annual sales.

iv) Provision for dilapidations (Estimate)

On entering into a new property lease, the Company makes a provision based on an estimate of the costs to restore that property to a specified state of repair where contractually obliged. Specialists in property management within the Company determine the estimated costs by reference to the type of work contractually required and using recent examples of costs and market knowledge.

Notes to the financial statements *(continued)*

5 Revenue

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<i>By geographical market</i>		
United Kingdom	187,917	165,525
Other	24,903	18,983
	<u>212,820</u>	<u>184,508</u>

All turnover and operating profit arises from the main activity of the production and sale of paints, wood finishes and associated decorating materials.

6 Other operating income

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Government grant - Coronavirus Job Retention Scheme	1,760	-
Government grants - Retail, Hospitality and Leisure Grant	670	-
Other income	362	-
	<u>2,792</u>	<u>-</u>

Other operating income of £547,000 was included within administrative expenses in 2019.

7 Operating profit

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible assets:		
Owned	4,018	4,355
Amortisation of intangibles	591	640
Hire of plant and machinery – rentals payable under operating leases	265	254
Hire of other assets – operating leases	9,495	8,431
Research and development expenditure	2,029	1,906
Impact of exchange rates: net loss / (gain)	75	(63)
Loss on disposal of fixed assets	12	24
Inventory recognised as an expense	113,158	97,025
Impairment of trade receivables	118	132
Restructuring costs	650	-
<i>Auditors' remuneration</i>		
Audit of these financial statements	70	69
Other services	-	29
	<u>70</u>	<u>98</u>

Notes to the financial statements (continued)

8 Remuneration of directors

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Directors' salaries, bonuses and benefits	1,793	1,329
Employer pension contribution	86	82
	<u>1,879</u>	<u>1,411</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £674,000 (2019: £496,000) which is inclusive of employer pension contributions totalling £nil (2019: £nil).

	Year ended 31 December 2020	Year ended 31 December 2019
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	3	3

9 Staff numbers and costs

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

	Year ended 31 December 2020	Year ended 31 December 2019
Production	277	270
Selling and distribution	699	648
Administration	104	100
	<u>1,080</u>	<u>1,018</u>

Staff numbers reported in 2019 are full-time equivalent basis, revised to headcount in 2020.

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Wages and salaries	35,271	32,719
Social security costs	3,307	3,036
Other pension costs (note 26)	3,402	3,608
	<u>41,980</u>	<u>39,363</u>

Notes to the financial statements *(continued)*

10 Interest receivable and similar income

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest receivable from ultimate parent	-	40
	<u>-</u>	<u>40</u>
	<u>-</u>	<u>40</u>

11 Interest payable and similar expenses

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest payable to ultimate parent	15	-
Bank loans and overdrafts	849	797
	<u>864</u>	<u>797</u>
	<u>864</u>	<u>797</u>

12 Tax on profit

Analysis of charge for the year

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<i>UK corporation tax</i>		
Current tax on income for the year	3,111	1,493
Adjustment in respect of prior years	(4)	77
Withholding tax paid on royalty income	(19)	(13)
Foreign tax suffered	19	13
	<u>3,107</u>	<u>1,570</u>
Total current tax	3,107	1,570
<i>Deferred tax (note 19)</i>		
Origination/reversal of timing differences	252	123
Adjustments in respect of prior years	(15)	(3)
Effect of changes in tax rates	43	(13)
	<u>281</u>	<u>107</u>
Total deferred tax	281	107
Tax on profit	<u>3,388</u>	<u>1,677</u>

Notes to the financial statements (continued)

12 Tax on profit (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2019: lower) than the standard rate of corporation tax in the UK 19.00% (2019: 19.00%). The differences are explained below.

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<i>Tax reconciliation</i>		
Profit before taxation	16,900	8,834
	<hr/>	<hr/>
Profit before taxation multiplied by standard rate of UK Corporation tax at 19.00% (2019: 19.00%)	3,211	1,678
<i>Effects of:</i>		
Expenses not deductible for tax purposes	293	149
Tax rate changes	43	(13)
Adjustments in respect of prior years	(19)	74
Group relief not paid for	(140)	(211)
	<hr/>	<hr/>
Tax on profit	3,388	1,677
	<hr/>	<hr/>

Factors that may affect future tax charges:

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Subsequently in March 2021, the UK Government announced an increase in the corporation tax rate to 25% effective from 1 April 2023. This legislation was not enacted during the year. Deferred taxes at the balance sheet date have been measured using the tax rate that was enacted in the year and reflected in these financial statements.

Notes to the financial statements *(continued)*

13 Intangible assets

	Goodwill £000	Software £000	Total £000
<i>Cost</i>			
At the beginning of the year	-	3,294	3,294
Acquisitions through business combinations (<i>note 29</i>)	126	-	126
Additions	-	84	84
	<hr/>	<hr/>	<hr/>
At the end of the year	126	3,378	3,504
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Accumulated amortisation</i>			
At the beginning of the year	-	2,505	2,505
Charge for year	21	570	591
	<hr/>	<hr/>	<hr/>
At the end of the year	21	3,075	3,096
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 December 2020	105	303	408
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	-	789	789
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amortisation charge has been recognised within cost of sales £488,000, distribution costs £94,000 and administrative expenses £9,000.

Notes to the financial statements *(continued)*

14 Property, plant and equipment

	Improvements to short leasehold properties £000	Plant and machinery £000	Total £000
<i>Cost</i>			
At the beginning of the year	1,242	48,752	49,994
Acquisitions through business combinations <i>(note 29)</i>	-	40	40
Additions	168	6,515	6,683
Disposals	-	(388)	(388)
At the end of the year	1,410	54,919	56,329
<i>Accumulated depreciation</i>			
At the beginning of the year	980	24,667	25,647
Charge for year	3	4,015	4,018
On disposals	-	(375)	(375)
At the end of the year	983	28,307	29,290
<i>Net book value</i>			
At 31 December 2020	427	26,612	27,039
At 31 December 2019	262	24,085	24,347

Notes to the financial statements *(continued)*

15 Investments

	2020 £	2019 £
Shares at cost and net book value at 1 January	1	1
Shares at cost and net book value at 31 December	<u>1</u>	<u>1</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company owns 1% of the share capital of Reebor Limited, a dormant company incorporated in England. The registered address of the above named company is Crown House, Hollins Road, Darwen, Lancashire, BB3 0BG.

16 Inventories

	2020 £000	2019 £000
Raw materials and consumables	3,050	2,007
Work in progress	630	824
Finished goods and goods held for resale	23,752	20,766
	<u>27,432</u>	<u>23,597</u>

Inventories are stated after provisions for impairment of £555,000 (2019: £767,000).

17 Trade and other receivables

	2020 £000	2019 £000
<i>Amounts falling due within one year</i>		
Trade debtors	14,619	14,427
Amounts owed by group undertakings repayable on demand	1,599	1,575
Amounts owed by ultimate parent attracting interest	26,328	11,125
Corporation Tax	-	67
Prepayments and accrued income	2,697	3,031
	<u>45,243</u>	<u>30,225</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Amounts on deposit with ultimate parent incurs interest at 0.95% and relate to the cash pooling facilities.

Trade debtors are stated after provisions for impairment of £165,000 (2019: £129,000).

Notes to the financial statements *(continued)*

18 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	37,778	33,856
Amounts owed to group undertakings	13,744	10,779
Corporation tax	1,492	-
Other taxation and social security	6,012	1,398
Other creditors	547	632
Accruals and deferred income	11,169	7,426
Deferred tax (<i>note 19</i>)	664	383
	<hr/> 71,406	<hr/> 54,474
	<hr/>	<hr/>

Amounts owed to group undertakings are unsecured, interest free and repayable within one month.

19 Deferred tax assets and liabilities

	2020 £000
Differences between accumulated depreciation and capital allowances	811
Short-term timing differences	(147)
	<hr/>
Net deferred tax liability	664
	<hr/>
	2020 £000
Deferred tax at the beginning of the year	(383)
Deferred tax charged to the income statement or the period	(296)
Adjustments in respect of prior year	15
	<hr/>
Deferred tax as at 31 December 2020	(664)
	<hr/>

Notes to the financial statements (*continued*)

20 Provisions for liabilities

	Dilapidations	Other	Restructuring	Total
	£000	£000	£000	£000
At the beginning of the year	6,360	374	-	6,734
Created/(released) during year	160	(47)	650	763
Utilised during year	(34)	-	-	(34)
	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the year	6,486	327	650	7,463
	<hr/>	<hr/>	<hr/>	<hr/>

The dilapidation provision will be used when needed depending on the occupancy of the premises this is expected to be between 5 and 20 years.

In December 2020, the company announced its intention to streamline aspects of its Commercial and Production operations. A provision was created to allow for the redundancies as a result of this decision, which will be utilised in 2021 as employment is terminated for affected employees.

Other provisions are in relation to retirement benefits due to employees; this will be paid over the next 1 and 42 years.

21 Called up share capital

	2020 £	2019 £
<i>Authorised</i>		
Ordinary shares of £1 each	<hr/> 1	<hr/> 1
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<hr/> 1	<hr/> 1

The ordinary shares each share carry one voting right.

22 Dividends

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Equity - Ordinary		
Interim paid £10,000,000 (2019: £8,000,000) per Ordinary £1 share	<hr/> 10,000	<hr/> 8,000
	<hr/> 10,000	<hr/> 8,000

Notes to the financial statements (continued)

23 Reserves

Retained earnings

Cumulative profit and loss net of distribution to owners.

24 Contingent liabilities

There are no contingent liabilities at the balance sheet date (2019: none).

25 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2020 £000	2019 £000
Authorised and contracted for	-	-

(b) The Company had the following future minimum lease payments under non-cancellable operating lease for the each of the following periods :

	2020 £000	2019 £000
Payments due:		
Not later than one year	8,353	6,959
Later than one year and not later than five years	32,821	23,764
Later than five years	18,108	21,752
	<u>59,282</u>	<u>52,475</u>

26 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £3,402,000 (2019: £3,608,000).

Contributions amounting to £411,000 (2019: £434,000) were payable to the scheme and are included in creditors.

27 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Crown Paints Holdings Limited.

The ultimate parent undertaking and controlling party is Hempel A/S, a company incorporated in Denmark.

Hempel A/S is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of Hempel A/S are available from Hempel A/S Lundtoftevej 91, DK-2800 kgs. Lyngby Denmark.

The ultimate controlling party is the Hempel Foundation.

28 Related party disclosures

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group. This is permissible as per Section 33, paragraph 33.7 of FRS 102.

Notes to the financial statements *(continued)*

29 Business Combinations

On 18 February 2020, the Company acquired the business Home Décor, a decorating retail store located in Omagh, for total consideration, including directly attributable costs, of £346,000. The purchase consisted of selected assets and IP together with the TUPE of employees and commencement of a new lease on the store property. Acquisition accounting has been used to account for the purchase.

The purchase had the following effect on the Company's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Tangible fixed assets	40	-	40
Inventory	180	-	180
	<hr/>	<hr/>	<hr/>
Total identifiable net assets			220
Goodwill			126
			<hr/>
Total consideration			346
			<hr/> <hr/>
The consideration was satisfied by:			£000
Cash			335
Directly attributable costs			11
			<hr/>
Total consideration			346
			<hr/> <hr/>