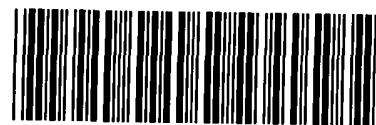


Axalta Coating Systems UK Limited
Annual report and financial statements
for the year ended 31 December 2016

Registered Number 2238419

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Axalta Coating Systems UK Limited
Annual report and financial statements
for the year ended 31 December 2016
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Axalta Coating Systems UK Limited

Directors and advisers

Directors

M Davis
J Blenkinsopp

Company secretary

J Blenkinsopp

Registered office

Axalta Coating Systems UK Limited
Unit 1 Quadrant Park
Mundells
Welwyn Garden City
Hertfordshire
AL7 1FS

Independent auditors

PricewaterhouseCoopers LLP
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Bankers

Bank of America
2 King Edward Street
London
EC1A 1HQ

Axalta Coating Systems UK Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic report and the audited financial statements of the company for the year ended 31 December 2016.

Principal activities

The company's principal business activity consists of the sale of surface coatings to the OEM, plastic and refinish markets within the automotive industry.

Review of the business and future developments

In 2016 turnover rose by 7.0% over the previous year, margin reduced versus prior year due to increase in cost of goods sold driven by increased activity, product / business segment mix, raw material increases and also transfer price adjustments reflected in the year. Business support costs were below prior year due to positive currency impact partly offset by restructuring expenses.

Axalta Coating Systems UK Limited made a profit for the financial year of £2,075,000 (2015: £4,306,000) with net assets of £16,115,000 (2015: 19,485,000).

In 2017 the business focus will be to continue to drive profitable growth in all business segments supported by the company.

Supplier payment policy

The company recognises the importance of the development of mutually beneficial relationships with its suppliers. It is the company's policy to settle all debts with suppliers on a timely basis, taking account of the credit period given by each supplier.

Cash pooling arrangement

Axalta EMEA has organised a cash pooling arrangement which the company is party to, this is a banking mechanism whereby the balances in our local legal entity accounts with Bank of America sweep into the cash pooling header account within the legal entity on a daily basis. EUR and USD funds are then lent to or borrowed from the main Cash Pool header entity in Luxembourg based upon the funding needs of the local legal entity for the day. All legal entity pool balances are borrowed from or lent to the Cash Pool header entity at a studied interest rate which is computed using an arms-length OECD review protocol supported by transfer pricing documentation, accrued interest is settled between the legal entities monthly. At 31 December 2016 the cash position lent to Axalta Coating Systems Finance 3 S.a r.l. amounts to £13,747,723 of Euro.

Safety and the environment

Company policy requires that all operations fully meet or exceed legal and regulatory requirements and staff are continually assessed to maintain the highest standards for the safe operation of facilities and the protection of the environment, the employees and customers, and the people of the community in which the business is conducted.

Financial risk management

In the ordinary course of business, the company is exposed to a variety of financial risks that include foreign exchange risk, liquidity risk and interest rate risk. The policies and procedures in relation to the monitoring of these risks are undertaken in conjunction with the ultimate parent undertaking, Axalta Coating Systems Bermuda Company Limited, which includes entering into contractual arrangements in order to limit the adverse effects on the company's financial performance.


Axalta Coating Systems UK Limited

Strategic report for the year ended 31 December 2016 (continued)

Business risks and key performance indicators

The company is significantly supported on a global basis across geographical regions rather than via an individual legal entity, the directors consider that a discussion of the main business risks and analysis using key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the business.

On behalf of the board



J Blenkinsopp

Director

7 April 2017

Axalta Coating Systems UK Limited

Directors' report for the year ended 31 December 2016

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2016.

Review of the business and future developments

Please refer to Strategic report on page 2 for further disclosure on the business and future developments.

Results and dividend

The company made a profit for the financial year of £2,075,000 (2015: £4,306,000), which has been transferred to reserves.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (2015: £nil).

Directors

The directors, who held office during the year and up to the date of the signing of the financial statements, are given below:

J Blenkinsopp

M Davis

Employment of disabled persons

It is company policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of staff who become disabled, and to provide opportunities for the training and career development of disabled employees.

Employee consultation

Considerable importance is placed on the involvement of employees. The management of the company continues to keep staff informed on matters affecting them as employees and on the operating performance of the company. This is done through formal and informal meetings and in-house publications.

Financial risk management

Please refer to Strategic report on page 2 for further disclosure of financial risk management.

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:

Axalta Coating Systems UK Limited

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities (continued)

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

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

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.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' report is approved, the following applies:

- (a) So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Axalta Coating Systems UK Limited

Directors' report for the year ended 31 December 2016 (continued)

Branches outside the UK

The company has a branch in the Republic of Ireland.

On behalf of the board



J Blenkinsopp

Director

7 April 2017

Axalta Coating Systems UK Limited

Independent auditors' report to the members of Axalta Coating Systems UK Limited

Report on the financial statements

Our opinion

In our opinion, Axalta Coating Systems UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Profit and loss account and the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the statement of accounting policies;
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matter 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 Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report on this subject.

Axalta Coating Systems UK Limited

Independent auditors' report to the members of Axalta Coating Systems UK Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Axalta Coating Systems UK Limited

Independent auditors' report to the members of Axalta Coating Systems UK Limited (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include disclosures required by applicable legal requirements.



Michael Jeffrey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
7 April 2017

Axalta Coating Systems UK Limited

Profit and loss account for the year ended 31 December 2016

		2016	2015
	Note	£'000	£'000
Turnover	1	45,117	42,151
Cost of sales		(27,508)	(22,852)
Gross profit		17,609	19,299
Distribution costs		(12,042)	(12,491)
Administrative expenses		(2,340)	(2,748)
Operating profit	2	3,227	4,060
Interest receivable and similar income	5	436	389
Interest payable and similar expenses	6	(84)	(148)
Profit before taxation		3,579	4,301
Tax on profit	7	(1,504)	5
Profit for the financial year		2,075	4,306

All of the company's activities are continuing.

Axalta Coating Systems UK Limited

Statement of comprehensive income for the year ended 31 December 2016

		2016	2015
	Note	£'000	£'000
Profit for the financial year		2,075	4,306
Remeasurement (loss)/gain recognised on defined benefit pension scheme	15	(7,992)	89
Deferred tax deductions allocated to actuarial loss		1,598	(18)
Movement on deferred tax relating to pension deficit	13	945	(546)
Total other comprehensive expense		(5,449)	(475)
Total comprehensive (expense)/income for the year		(3,374)	3,831

Axalta Coating Systems UK Limited

Balance sheet as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	8	1,129	2,051
Tangible assets	9	1,984	2,179
		3,113	4,230
Current assets			
Stocks	10	1,310	959
Debtors	11	31,239	24,284
Cash at bank and in hand		3,255	3,912
		35,804	29,155
Creditors: amounts falling due within one year	12	(13,404)	(10,270)
Net current assets		22,400	18,885
Total assets less current liabilities		25,513	23,115
Post-employment benefits	15	(9,398)	(3,626)
Net assets including pension deficit		16,115	19,489
Capital and reserves			
Called up share capital	14	58,164	58,164
Profit and loss account		(42,049)	(38,675)
Total equity		16,115	19,489

The financial statements on pages 10 to 33 were approved by the board of directors on 7 April 2017 and were signed on its behalf by:



J Blenkinsopp
Company Director

Axalta Coating Systems UK Limited

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2015	58,164	(42,506)	15,658
Profit for the financial year	-	4,306	4,306
Other comprehensive expense	-	(475)	(475)
At 31 December 2015	58,164	(38,675)	19,489
Profit for the financial year	-	2,075	2,075
Other comprehensive expense	-	(5,449)	(5,449)
At 31 December 2016	58,164	(42,049)	16,115

Axalta Coating Systems UK Limited

Statement of accounting policies

Company information

Axalta Coating Systems UK Limited is a limited company incorporated in England. The addresses of its registered office and principal place of business are disclosed in the listing of Directors and advisers on page 1. The company's principal activity is disclosed in the Strategic report on page 2.

Basis of preparation of financial statements

The financial statements have been prepared in accordance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The financial statements have been prepared on the historical cost basis as specified in the accounting policies. The accounting policies, which have been applied consistently throughout the period, are set out below.

The financial statements are presented in Sterling (£), which is also the functional currency of the company.

The company has adopted the following disclosure exemptions, by virtue of being a qualifying entity in accordance with FRS 102:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including categories of financial instruments, income, expense, gains or losses relating to financial instruments, and exposure to and management of financial risks
- the requirement to disclose key management personnel compensation.

Details of the parent undertaking of the group in which the company is consolidated are provided in Note 19.

Going concern

The directors have confirmed that they will ensure that the company has adequate financing to meet its liabilities as and when they fall due. Therefore, having reviewed its current liabilities and funding arrangements, the directors are of the opinion that the company can continue as a going concern for the foreseeable future and the financial statements have been prepared accordingly.

Significant judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgments have had the most significant effect on amounts recognised in the financial statements:

Stocks and work in progress

Stocks and work in progress are measured at the lower of cost and net realisable value, including, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgments to be made, which include forecast customer demand, the promotional, competitive and economic environment and historic stock loss trends.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Significant judgments and key sources of estimation uncertainty (continued)

The following are the company's key sources of estimation uncertainty:

Pension costs

The cost of the company's defined benefit pension plan is determined using actuarial valuations. Each actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of high-quality sterling-denominated corporate bonds at the balance sheet date, and takes into account the term structure of these corporate bond yields relative to the term structure of the scheme's projected liabilities. The mortality rate is based on publicly available mortality tables for the UK. Future pension increases are based on expected future inflation rates for the UK. Further details are given in Note 15.

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, and any legal or contractual provisions that can limit useful life.

Tangible fixed assets and depreciation

Tangible fixed assets are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the original purchase price of the asset together with costs attributable in making the asset ready for operational use.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost of tangible fixed assets less estimated residual value over their expected useful economic lives which are:

Plant and machinery, fixtures, fittings and equipment	3 – 15 years
---	--------------

No depreciation is provided for assets in the course of construction.

At each reporting date tangible fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected assets is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If any impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Repairs and renewals

Repairs and renewals are charged against income as they are incurred.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Stocks

Stocks are measured at the lower of cost and net realisable value. In general, cost is determined on a weighted average cost basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and attributable production overheads based on a normal level of activity. Net realisable value is based on the estimated selling price less any estimated completion or selling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Debtors

Short term debtors are measured at transaction price, less any impairment losses for bad and doubtful debts.

Loans receivable are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently they are measured at amortised cost using the effective interest method, less any impairment. Loans receivable within one year are not discounted.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including loans to group undertakings, are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method.

Goodwill and intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

The difference between the cost of undertakings acquired and the fair value of the net assets at the date of acquisition is capitalised as goodwill and amortised on a straight line basis over its estimated useful life.

Other intangible assets are amortised over their estimated useful economic lives of between 5 and 15 years.

The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Equity

Called up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all current and prior period retained profits and losses.

Turnover

Turnover represents the amounts invoiced for goods and services supplied excluding Value Added Tax.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is usually either on shipment, or on receipt and acceptance of goods, dependent upon the terms of contract.

Foreign currencies

Transactions denominated in foreign currencies occurring during the course of the year are translated into sterling using the rates of exchange prevailing at the dates of those transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All profits or losses arising on retranslation are taken to the profit and loss account in the year in which they arise.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current of past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Provisions for liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of expenditure required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the provision is measured at present value using a pre-tax discount rate. The unwinding of the discount is recognised as interest expense in profit or loss in the period it arises.

Pension costs

Contributions in respect of the defined contribution pension scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The company participates in the HPG Pension scheme, which was a group defined benefit scheme operated by Axalta Coating Systems UK Limited. The scheme was closed to new contributions from 1 April 2014. The financial statements recognise the company's share of the net defined benefit liability of the group scheme and associated net defined benefit cost in the year.

The cost of providing benefits under the defined benefit scheme is determined using the project unit credit method and is based on actuarial advice. When a settlement or curtailment occur, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in profit or loss during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance income or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Pension costs (continued)

The defined net benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016

1 Turnover

The analysis of the company's turnover by geographical destination for the one major class of business, all of which relates to the sale of goods, is set out below:

	2016 £'000	2015 £'000
United Kingdom	44,115	41,023
Rest of Europe	1,002	1,128
	45,117	42,151

2 Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging the following amounts:		
Operating lease payments : land and buildings	154	155
: plant and machinery	350	362
: other	1	5
Amounts written off tangible and intangible fixed assets		
: depreciation of tangible assets (note 9)	593	479
: amortisation of intangible assets (note 8)	922	922
Foreign currency exchange loss	1,652	172
Exceptional distribution costs – restructuring costs	886	177
Auditors remuneration:		
For audit of the company's annual financial statements	23	25
For the taxation compliance services	-	5
Fees in respect of the HPG pension scheme		
For the audit of the scheme's annual financial statements	13	9

Axalta way restructuring project booked in 2016 relates to a business initiative to re align business support costs in line with operational requirements, 2015 costs relate to a rollover from a restructuring project commenced in 2014.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Information regarding directors and employees

	2016	2015
	£'000	£'000
Emoluments of directors		
As executives	137	137
Payments to defined contribution and benefit	10	10
Total aggregate emoluments	147	147

In addition to the above, emoluments in respect of one director is borne by a fellow group entity Axalta Coating Systems UK (2) Limited. It is not possible to make an accurate apportionment of their emoluments in respect of each of the companies; accordingly, the directors' emoluments for the other director are included within the financial statements of Axalta Coating Systems UK (2) Limited only.

During the year retirement benefits were accruing to one director (2015: one) in respect of a defined benefit pension scheme.

One director became entitled to receive shares under the long term incentive scheme (2015: 1).

4 Staff numbers and costs

	2016	2015
	£'000	£'000
Wages and salaries	4,250	3,642
Social security costs	501	467
Other pension costs (note 15)	590	604
	5,341	4,713

The average monthly number of persons employed by the company during the year was 63 (2015: 71).

The company employed staff in the following areas: distribution 55 (2015: 62) and administration 8 (2015: 9).

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

5 Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest receivable from group undertakings	308	303
Bank interest received	5	9
Other loan interest receivable	123	77
	436	389

6 Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest payable to group undertakings	10	-
Net interest on net defined benefit liability	74	148
	84	148

7 Tax on profit

a) Analysis of tax in the year

	2016	2015
	£'000	£'000
UK corporation tax on profit for the year		
Current year	1,598	(18)
Total current tax	1,598	(18)
Deferred tax: origination and reversal of timing differences (note 13)	(102)	1
Deferred tax: change in tax rates (note 13)	8	12
Tax on profit	1,504	(5)

The tax assessed for the year ended 31 December 2016 is higher (2015: lower) than the effective rate of corporation tax in the United Kingdom of 20% (2015: 20.25%).

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

7 Tax on profit (continued)

b) Tax (income)/expense included in other comprehensive income

	2016	2015
	£'000	£'000
Current tax	(1,598)	18
Deferred tax origination and reversal of timing differences	(945)	546
Total tax (income)/ expense included in other comprehensive income	(2,543)	564

c) Reconciliation of tax charge/ (credit)

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation	3,579	4,301
Profit multiplied by effective rate of corporation tax in the United Kingdom at 20% (2015: 20.25%)	716	871
Effects of:		
Accelerated capital allowances and other timing differences	1,166	(382)
Expenses not deductible for tax purposes	194	203
Group relief surrendered for nil consideration	(580)	(709)
Re-measurement of deferred tax - change in UK tax rate	8	12
Total tax charge/ (credit) for the year	1,504	(5)

Tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%). The differences are explained above.

d) Factors affecting current and future tax charges

During the year as a result of the changes in the UK corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020, the latter being substantially enacted on 16 September 2016, the relevant deferred tax balances have been re-measured.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

8 Intangible assets

	Licence £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2016	800	58,705	59,505
At 31 December 2016	800	58,705	59,505
Accumulated amortisation			
At 1 January 2016	800	56,654	57,454
Charge for the year	-	922	922
At 31 December 2016	800	57,576	58,376
Net book value			
At 31 December 2016	-	1,129	1,129
At 31 December 2015	-	2,051	2,051

The goodwill arose on the acquisition of Carrs Birmingham (UK) Limited in 1997 and on the acquisition of HPG Industrial Coatings Limited in 2000.

Goodwill is amortised over its useful economic life of 20 years.

The licence has been fully amortised over its useful life of 5 years.

Amortisation of intangible fixed assets is included in administrative expenses.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

9 Tangible assets

	Fixtures, fittings and equipment £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 January 2016	902	5,169	73	6,144
Additions	-	-	424	424
Disposals	(3)	(96)	-	(99)
Reclassifications	-	667	(465)	202
At 31 December 2016	899	5,740	32	6,671
Accumulated amortisation				
At 1 January 2016	144	3,821	-	3,965
Charge for the year	89	504	-	593
Disposals	(3)	(70)	-	(73)
Reclassifications	-	202	-	202
At 31 December 2016	230	4,457	-	4,687
Net book value				
At 31 December 2016	669	1,283	32	1,984
At 31 December 2015	758	1,348	73	2,179

10 Stocks

	2016 £'000	2015 £'000
Finished goods and goods for resale	1,310	959

Stock recognised in cost of sales during the year as an expense was £27,508,517 (2015: £22,852,039).

An impairment loss of £nil (2015: £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

11 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Trade debtors	7,996	6,520
Amounts owed by group undertakings	13,858	1,358
Loans owed by group undertakings	6,180	13,227
Other debtors	3	719
Other loans receivable falling due less than one year	642	750
Other loans receivable falling due greater than one year	606	727
Deferred taxation (note 13)	202	107
Deferred taxation on post-employment benefits (note 15)	1,598	653
Prepayments and accrued income	154	223
	31,239	24,284

An impairment loss of £95,195 (2015: £97,985) was recognised against trade debtors.

There is one loan owed by a group undertaking, it is unsecured and repayable on demand,

Axalta Powder Coating Systems UK Limited	£6,180,000	Fixed Interest 1.04% paid biannually, the company has indicated to the recipient its intention not to call the loan for repayment within one year of the balance sheet date.
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Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

12 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	1,544	1,238
Amounts owed to group undertakings	7,374	4,901
Other taxation and social security	1,630	1,266
Corporation tax	32	33
Accruals and deferred income	2,824	2,832
	13,404	10,270

13 Deferred taxation

At 31 December 2016 the asset for deferred taxation at 17% (2015: 18%) comprises:

	2016 £'000	2015 £'000
Accelerated capital allowances	202	107
Short-term timing differences	-	-
Asset for deferred tax excluding that relating to pension liability	202	107
Deferred tax asset on pension liability (note 15)	1,598	653
Total deferred tax asset	1,800	760
Asset at beginning of the year	760	1,319
Deferred tax credited/ (charged) in the profit and loss account for the year (note 7)	95	(13)
Deferred tax credited/ (charged) to other comprehensive income	945	(546)
Asset at the end of the year	1,800	760

Of the deferred tax asset of £1,800,000 (2015: £760,000) the deferred tax asset on the pension liability of £1,598,000 (2015: £653,000) has been deducted in arriving at the net pension liability on the balance sheet.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

14 Called up share capital

	2016 £'000	2015 £'000
Authorised:		
59,000,000 (2015: 59,000,000) ordinary shares of £1 each	59,000	59,000
Allotted, called up and fully paid		
58,164,000 (2015: 58,164,000) ordinary shares of £1 each	58,164	58,164

15 Pension costs

The company participates in the HPG Pension scheme, which was a group defined benefit scheme operated by Axalta Coating Systems UK Limited.

On the 1 April 2014 the HPG defined benefit scheme was closed to new contributions.

The assets of the scheme are held separately from those of the member companies and the latest formal triennial valuation of the Fund was carried out at 5 April 2015. The valuation was carried out by a qualified Actuary in accordance with legislative and professional requirements.

With effect from 1 July 2011, the scheme has been closed to new entrants and replaced with a defined contribution scheme at a current contribution rate of 4% employee and 10% employer on pensionable pay. The pension cost charged in the profit and loss account of £294,400 (2015: £307,747) represents contributions payable by the company to the scheme during the year and there were no prepayments or outstanding contributions at 31 December 2016 (2015: £nil).

Following a review of the membership records, and consistently with prior years, the current deficit of the scheme is accounted for in individual member companies.

The actuarial valuation carried out at 31 December 2016 for the purposes of complying with FRS 102 disclosed a deficit for the scheme of £10,541,000 after tax, of which the company has been allocated 74 % based on total membership records for the scheme.

Contributions paid during the year amounted to £2,590,000 (2015: £2,723,212), the contribution rates for the company remained at 25.2% of pensionable salaries until the 31 March 2014 when the scheme was closed to further contributions, this payment represents additional annual contribution which is paid over at an increasing rate of 3.7% per annum which will continue until the deficit is cleared.

Expected future benefit payments and contributions for the year ended 31 December 2017 are £2,812,000 and £2,886,000 respectively.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

15 Pension costs (continued)

	2016	2015
Financial assumptions	%	%
Inflation	3.70	3.40
Long term rate of return on assets (No longer applicable for FRS102)	N/A	-
Rate of increase in salaries	3.30	N/A
Rate of increase in pensions in payment	2.70	3.10
Rate of increase for deferred pensioners	2.50	2.40
Discount rate	2.60	3.80

The discount rate has been based on high-quality sterling-denominated corporate bonds as at 31 December 2016 and takes into account the term structure of these corporate bond yields relative to the term structure of the Scheme's projected liabilities.

The life expectancies based on an assumed retirement age of 65 are as follows:

	2016	2015
	Years	Years
Retiring today:		
Males	23.6	23.5
Females	26.0	25.9
Retiring in 15 years' time:		
Males	25.7	25.5
Females	28.1	28.0

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

15 Pension costs (continued)

	2016	2015
	£'000	£'000
Fair value of assets and reconciliation to the balance sheet		
Equity Securities	38,332	33,300
Debt Securities	46,990	44,400
Real estate/property	6,586	4,070
Other	9,916	444
Total market value of assets	101,824	82,214
Actuarial value of scheme liabilities	(111,222)	(85,840)
Deficit in the scheme	(9,398)	(3,626)
Related deferred tax asset at 17% (2015: 18%)	1,598	653
Net pension deficit	(7,800)	(2,973)

	2016	2015
	£'000	£'000
Analysis of movements in deficit during the year		
Deficit at 1 January	(3,626)	(5,994)
Contributions paid	2,590	2,723
Current service cost	(296)	(296)
Net interest cost	(74)	(148)
Remeasurement (loss)/ gain	(7,992)	89
Deficit at 31 December	(9,398)	(3,626)

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

15 Pension costs (continued)

	2016	2015
	£'000	£'000
Analysis of amounts charged/(credited) to operating profit		
Current service cost	296	296
Net charge to operating profit	296	296

Analysis of the amount charged to interest payable and similar expenses

Net interest on defined benefit liability	74	148
Total profit and loss charge before deduction for tax	370	444

	2016	2015
	£'000	£'000
Analysis of the amounts recognised in comprehensive income		
Actuarial gain/(loss) on assets	24,568	(1,924)
Return on plan assets (greater)/less than discount rate	(16,576)	1,835
Remeasurement loss/(gain)	7,992	(89)

Total defined benefit cost before deduction for tax	8,362	355
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Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

15 Pension costs (continued)

	2016	2015
	£'000	£'000
Movements in scheme assets		
Fair value of assets brought forward	82,214	82,140
Interest income on plan assets	3,108	3,034
Return on plan assets greater/(less) than discount rate	16,576	(1,835)
Contributions paid	2,590	2,723
Administration expenses	(296)	(296)
Participants' contributions	-	-
Benefits paid	(2,368)	(3,552)
Fair value of assets carried forward	101,824	82,214

The actual return on scheme assets during the year was £19,684,000 (2015: £1,199,000).

	2016	2015
	£'000	£'000
Movement in scheme liabilities		
Scheme liabilities brought forward	85,840	88,134
Interest on pension scheme liabilities	3,182	3,182
Participants' contributions	-	-
Actuarial loss/(gain) on assets	24,568	(1,924)
Benefits paid	(2,368)	(3,552)
Scheme liabilities carried forward	111,222	85,840

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

16 Operating lease commitments

At 31 December 2016 the company had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Due Date:				
Within 1 year	166	166	280	241
Between 2 and 5 years	663	663	349	451
After more than 5 years	276	442	-	-
	1,105	1,271	629	692

17 Guarantees and contingent liabilities

The company's controlling party Axalta Coating Systems UK Holding Limited has provided a guarantee against the assets of the company in relation to financing from Barclays Bank PLC, this followed a debt re-financing arrangement carried out in late 2016. In the prior year this guarantee was given in relation to financing from Barclays Bank PLC and Wilmington Trust National Association.

18 Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of section 33 of FRS 102 'Related party disclosures' on the grounds that it is a wholly owned subsidiary of a group headed by Axalta Coating Systems Bermuda Company Limited.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

19 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Axalta Coating Systems UK Holding Limited and remains so through to the end of the year covered by these financial statements', both companies being registered in England.

The ultimate parent undertaking and controlling party was Axalta Coating Systems Bermuda Company Limited incorporated in Bermuda, which is the parent undertaking of the largest and smallest group to consolidate these financial statements.

Copies of these group financial statements can be obtained from C/O Coden Services Limited, Clarendon House, 2 Church Street, Hamilton HM 11. Bermuda.