Registration number: 01215482

Colart Group Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Contents

Company Information

Company registered number	01215482
Directors	J Linden Urnes X Desjobert A Van Schie M Hamlin K Mogull L G Schultz P Schrotti
Registered office	The Studio Building 21 Evesham Street London W11 4AJ
Auditor	Deloitte LLP 1 Station Square Cambridge CB1 2GA United Kingdom

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activities of the business

The Company had no trading activities and during the year acted as a holding company.

Fair review of the business

The profit and loss account set out on page 10 shows the loss for the year.

The Company's loss for the financial year is £386,255 (2018: loss of £699,069). No dividend was paid during the year (2018: £nil). The directors do not recommend the payment of a dividend.

Group outlook

In 2019 FILA acquired the Arches fine art paper brand which consolidated its position in paper as it also owns the other two leading paper brands. This acquisition resulted in the non-renewal of Colart's distribution agreement with Arches and consequent cessation of Arches distribution from the end of December 2019. The year also saw the growth of the on-line only brand Arteza whose strategy is to offer a price competitive range of products across multiple categories targeting hobbyists. The majority of brands, whether leading or local players, increased investment behind social media as a means of engaging with consumers as a response to Arteza. Colart took the decision to cease manufacturing and selling the Reeves brand to focus on its fine art portfolio where the brands of Winsor & Newton, Liquitex and Lefranc Bourgeois have leading preference amongst both professional and leisure artists.

At the retail level the leading US and European retailers slowed down their store expansion programme, although we did some acquisition of smaller retailers by chains such as Gerstaecker. 2019 also saw the closure of AC Moore - a US chain of art and craft stores (circa 145 stores) of which 19 were acquired by Michaels, along with their distribution centre in New Jersey. On-line sales continued to grow through platforms such as Amazon and T-Mall and many retailers increased investment behind their own e-commerce businesses, including introducing "click and collect".

Key performance indicators

The group manages and reports on its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance of the business.
Information regarding the Company performance and relevant information for the year as well as Key Performance Indicators is contained within the consolidated financial statements of the ultimate parent Company, Lindéngruppen AB.

Future developments

The Company continues to operate as a holding Company within the Colart Group of Companies and there are no changes expected to be made to its principal activities in the foreseeable future.

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risk affecting the Company relates to the provision and maintenance of high service levels to its external customers and all of its affiliates. The Company mitigates this risk through the continued focus on the development of accurate demand forecasting processes.

Brexit Considerations

Management continued to follow embedded risk management procedures throughout 2019 and consulted with external advisers in order to minimise the possible impact upon the business which could arise in various post Brexit scenarios. Inventory levels were increased in the UK and French warehouses in advance of key Brexit dates to mitigate against supply chain disruption caused by potential imposition of new duty regimes and short-term logistic blockages. Colart's business model was revised in early 2020 to transfer ownership of inventory held in a French warehouse from one of the UK entities to a French entity, simplifying financial management and risk in a post-Brexit environment.

Approved by the board on 14 July 2020 and signed on its behalf by

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A Van Schie

Director

The Studio Building

21 Evesham Street

London

W11 4AJ

United Kingdom

Directors' Report for the Year Ended 31 December 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Directors
The directors who held office during and subsequent to the year-end up to the date of this report were as follows:

J Linden Urnes
X Desjobert
A Van Schie
M Hamlin
K Mogull
P Schrotti
L G Schultz (Appointed 12 June 2019)

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report. These indemnity provisions apply to all directors of companies within the Colart Group.

Dividends
No dividend was paid during the year (2018: £nil). The directors do not recommend the payment of a dividend.

Political donations
The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

Employee involvement
The Company is committed to equal opportunities for all its employees and aims to ensure that the workplace is free from discrimination. Recruitment, selection and career development are based on competence and job requirements, irrespective of sex, sexual preference, religion or disability. The Company encourages employee participation and consultation at all levels and shares relevant business information. This approach facilitates the evolution of new ideas and practices that add value to the business, promotes team member commitment and helps focus Company and employee expectations.

Going concern
The financial statements have been prepared using the going concern basis of accounting, as explained further in note 2 to the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rates to ensure certainty of cash flows.

Credit risk
The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.
The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Directors' Report for the Year Ended 31 December 2019 (continued)

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.
Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Events after the balance sheet date
The emergence of the COVID-19 coronavirus in 2020 is having a significant impact on economies and has resulted in severe restrictions of movement of people across the world in addition to the closure of many retail outlets and production/distribution operations. It is likely that this will result in a short to medium term reduction in sales and profit, requiring Colart to draw on debt facilities provided by its intermediate parent company. However, as of the date of approving the financial statements, the global governmental response to the crisis remains very fluid.
On 28th Feb 2020, the Colart Group executed corporate restructuring activities with the intention of simplifying the ownership structure of the UK and Swedish entities within the Group. Whilst subsidiaries within the Group have been exchanged for considerations equal to carrying value these internal transfers of ownership have no bearing on Colart Group Holdings Limited's investments. All direct and indirect investments reported in note 9, are unaffected for Colart Group Holdings Limited and it's investment value is unchanged.

In March 2020, the Colart Group executed a loan reorganisation activity whereby all future borrowings would be structured through Colart Group Holdings Ltd. As part of this AB. Wilhelm Becker released Colart Group Holdings Ltd from £50m of debt from its £98.1m outstanding debt in exchange for an increase in equity. The effect of the Release was to improve the financial position of the Company and viability of the Company, as a going concern.

Auditor
Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 14 Jul 2020 and signed on its behalf by:

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A Van Schie
Director
The Studio Building
21 Evesham Street
London
W11 4AJ
United Kingdom

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the members of the Colart Group Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Colart Group Holdings Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Independent Auditor's report to the members of the Colart Group Holdings Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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.

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

Independent Auditor's report to the members of the Colart Group Holdings Limited (continued)

Report on other legal and regulatory requirements

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Matthew Hall

Matthew Hall FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

Date: 15 July 2020

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Other operating income	4	426	-
Administrative expenses		(141)	(276)
Operating profit/(loss)	4	285	(276)
Interest payable and similar expenses	5	(1,286)	(993)
Interest receivable and similar income	6	524	406
Loss before taxation		(477)	(863)
Tax on loss	8	91	164
Loss for the year		(386)	(699)

The above results were derived from continuing operations. The Company had no items of other comprehensive income other than those included in the results above and therefore no separate statement of comprehensive income has been presented.

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Investments	9	57,985	57,985
Current assets			
Cash at bank and in hand		697	1,747
Debtors	10	68,475	19,681
Creditors: Amounts falling due within one year	11	(103,396)	(55,265)
Net current liabilities		(34,224)	(33,837)
Total assets less current liabilities		23,761	24,148
Net assets		23,761	24,148
Equity			
Share capital	12	18,000	18,000
Profit and loss account		(39,239)	(38,852)
Capital contribution	13	45,000	45,000
Shareholders' funds		23,761	24,148

Approved by the Board on 14 July 2020 and signed on its behalf by:

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A Van Schie

Director
Company registered number: 01215482

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Profit and loss account £ 000	Capital contribution £ 000	Total £ 000
At 1 January 2018	18,000	(38,153)	45,000	24,847
Loss for the year	-	(699)	-	(699)
Total comprehensive loss	-	(699)	-	(699)
At 31 December 2018	18,000	(38,852)	45,000	24,148

	Share capital £ 000	Profit and loss account £ 000	Capital contribution £ 000	Total £ 000
At 1 January 2019	18,000	(38,852)	45,000	24,148
Loss for the year	-	(386)	-	(386)
Total comprehensive loss	-	(386)	-	(386)
At 31 December 2019	18,000	(39,239)	45,000	23,761

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

Colart Group Holdings Limited is a private company limited by shares and incorporated, domiciled and registered in England and Wales, at The Studio Building, 21 Evesham Street, London, W11 4AJ, United Kingdom.
These financial statements are presented in pounds sterling because that is the functional currency of the primary economic environment in which the Company operates.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
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 accounting
The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Lindengruppen AB who is the ultimate controlling party producing publicly available financial statements. Please see note 14 for further details.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Going concern
The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons:

Loss for the year ended 31 December 2019 was £386,255 (2018: loss of £699,069). As at 31 December 2019 the Company had net assets of £23,761,000 (2018: net assets of £24,148,000). The Company is dependent for its working capital on funds provided to it by Lindéngruppen AB, the Company's ultimate parent through a Group cash pool arrangement with its principal bankers, Lindéngruppen AB has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing its reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern (continued)
The emergence of the COVID-19 coronavirus in early January 2020 has created a number of uncertainties and risks that may affect the Colart Group's performance in 2020. The severe restrictions of movement of people and closure of retail outlets across the world in February and March 2020 are likely to restrict retailers' need to purchase Colart products in the short to medium term, with a switch to e-commerce based sales being increasingly seen. Combined with selective closure of Colart's manufacturing and distribution operations this is likely to significantly disrupt Colart's financial performance in 2020, necessitating the Colart Group to draw on debt funding provided by its intermediate parent company (AB Wilh. Becker).

Exemption from preparing group accounts
The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Lindéngruppen AB, a Company incorporated in Sweden. These financial statements can be obtained from the address given in note 14.

The financial statements therefore contain information about Colart Group Holdings Ltd as an individual Company and do not contain consolidated financial information as the parent of a group.

Dividend revenue
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Operating profit
Operating profit is stated before investment income and finance costs.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Investments
Investments in subsidiary and joint venture companies held as fixed assets are stated at cost less provision for any impairment.

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

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

Financial assets and liabilities
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company did not have any debt instruments measured subsequently at FVTOCI in either the current year or the preceding year.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).
Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

The Company did not have any other financial assets measured subsequently at FVTPL in either the current year or the preceding year.

(i) Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument, which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) held-for-trading, or (ii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Critical accounting judgements and key sources of estimation uncertainty

The directors consider that they have not made any critical judgements, apart from those involving estimations (which are dealt with separately below), in the process of applying the Company's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of Investments

The key source of estimation uncertainty, apart from those involving estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements is the investment value in use calculation.

Determining whether an investment and its intercompany loans are impaired requires an assessment of the value in use of the cash-generating units to which investment has been allocated. The value in use calculation requires the entity to estimate at the balance sheet date the future cash flows expected to arise from the cash-generating unit and judge a suitable discount rate in order to calculate present value.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Operating profit/loss

	2019 £ 000	2018 £ 000
Sale of artwork	(426)	-
Other admin expenses	135	268
Audit of these financial statements	6	6
Audit fees relating to Group activities	-	2
	(285)	276

5 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest payable to group undertakings	1,284	993
Foreign exchange losses	2	-
	1,286	993

6 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest income from group undertakings	524	406
	524	406

7 Directors' remuneration

There were no staff employed by the Company during the year (2019: nil). The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Emoluments	743	787

Remuneration for duties of the director Adrianus Van Schie on behalf of the Company was paid by Colart International Holdings Ltd, a company registered in England and Wales at The Studio Building, 21 Evesham Street, London, W11 4AJ, United Kingdom.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Accruing benefits under defined benefit pension scheme	1	1

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Emoluments	618	559

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

8 Taxation

Tax credited in the profit and loss account

	2019 £ 000	2018 £ 000
Current taxation		
Group tax relief	91	164
	91	164

Tax credited in the profit and loss account

	2019 £ 000	2018 £ 000
Loss before tax	(477)	(863)
Group relief at standard rate 19% (2018: 19%)	(91)	(164)
Total tax credit for the year	(91)	(164)

Factors that may affect future tax charges:

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

The Company is not aware of any other factors that could materially affect the future tax charge.

9 Investments

Subsidiaries and joint ventures	£ 000
Cost	
At 1 January 2019	99,985
At 31 December 2019	99,985
Provision	
At 1 January 2019	42,000
At 31 December 2019	42,000
Carrying amount	
At 31 December 2018	57,985
At 31 December 2019	57,985

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2019	2018
Colart International Holdings Limited (Direct)	Sourcing and sale of art and craft materials	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
Colart Contract Manufacturing Limited (Indirect)	Sourcing and sale of art and craft materials	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
Elephant West Limited (Indirect)	Inactive	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
Colart Sweden AB (Indirect)	Selling and distribution of art and craft materials	c/o Nordia Law, Kungsbron 1, 3 tr, 111 22 Stockholm, Sweden	100%	100%
Colart PFP (GP) Limited (Indirect)	General partner	17 Viewfield Road, Ayr KA8 8HJ, The United Kingdom	100%	100%
Colart PFP (LP) Limited (Indirect)	Limited partner	17 Viewfield Road, Ayr KA8 8HJ, The United Kingdom	100%	100%
Colart Scotland Limited (Indirect)	General partner	17 Viewfield Road, Ayr KA8 8HJ, The United Kingdom	100%	100%

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2019	2018
Colart Pension Trustees Limited (Indirect)	General partner	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
WNRGP Limited (Indirect)	General partner	17 Viewfield Road, Ayr KA8 8HJ, The United Kingdom	100%	100%
Winsor & Newton Ltd (Indirect)	Holding Company	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
Colart Limited (Indirect)	Holding Company	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
Colart Americas Inc (Indirect)	Selling and distribution of art and craft materials	2 Corporate Place South, Piscataway, NJ, 08854, U.S.A	100%	100%
Liquitex International Inc (Indirect)	Trademark ownership	2 Corporate Place South, Piscataway, NJ, 08854, U.S.A	100%	100%
Colart Interactive Inc (Indirect)	Selling and distribution of art and craft materials	2 Corporate Place South, Piscataway, NJ, 08854, U.S.A	100%	100%
Colart Le Mans SA (Indirect)	Manufacture and distribution of art and craft materials	5 Rue Rene Panhard, 72000 Le Mans, France	100%	100%
Colart Italiana SpA (Indirect)	Selling and distribution of art and craft materials	Via Monte Rosa 11, Milano 20149, Italiana	100%	100%
Colart Iberica SA (Indirect)	Selling and distribution of art and craft materials	Forum Business Center, Av Capitan Haya 1, Madrid 28020, Espana	100%	100%
Colart Deutschland GmbH (Indirect)	Selling and distribution of art and craft materials	Gutenberstrasse 4, Maintal 63477, Deutschland	100%	100%

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2019	2018
Colart Benelux B.V. (Indirect)	Selling and distribution of art and craft materials	Minervum 7491, ZP Breda 4817, The Netherlands	100%	100%
Colart France SA (Indirect)	Selling and distribution of art and craft materials	5 Rue Rene Panhard, 72000 Le Mans, France	100%	100%
Colart Fine Art & Graphics Ltd (Indirect)	Selling and distribution of art and craft materials	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
Crown Artist Brush Ltd (Indirect)	Brush Manufacture	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
Colart Tianjin Art Materials Co. Ltd (Indirect)	Manufacture of art and craft materials	80 Xian Yang Road, Nankai District, Tianjin, 300113, China	90%	90%
Jinhua Universal Canvas Manufacturing Company (Indirect)	Canvas Manufacture	No. 9 Changwen Road, Anwenzhen, Panan County, Zheijiang Province, China	100%	100%
Snazaroo Holdings Ltd (Indirect)	Face Paint Manufacture	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%
Colart Camlin Canvas Pvt Ltd (Indirect)	Inactive	G-71, MIDC Industrial Area, Tarapur, Boisar, India	60%	60%
Elephant Art Ltd (Indirect)	Media publication	The Studio Building, 21 Evesham Street, London W11 4AJ, The United Kingdom	100%	100%

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2019	2018
Colart SP. z.o.o (Indirect)	Selling and distribution of art and craft materials	Ul Pulawska 2 Building B 02-566 Warsaw Poland	100%	100%
Anhui Colart Canvas Co. Ltd (Indirect)	Manufacture of art and craft materials	4 Standard Building, Huaibei Economic Development Zone, Huaibei, Anhui, China	100%	100%
Winsor Newton Art Material (Pinghu) Ltd (Indirect)	Manufacture of art and craft materials	5Building, 1033 Xin Xing San Road, Pinghu Economic Development Zone, Jiaxing, Jiejiang, China	100%	100%

Name of Joint Venture	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2019	2018
Bonny Colart Co Ltd (Indirect)	Packing, sale and distribution of artists materials	3-6-3 Rinkai-Cho, Edogawa-Ku, Tokyo 134-8576, Japan	50%	50%

10 Trade and other debtors

	2019 £ 000	2018 £ 000
Amounts falling due within one year:		
Prepayments	19	24
Amounts owed by group undertaking	-	1,519
Loan amounts owed by group undertaking	68,353	17,965
VAT	2	-
Group relief receivable	101	173
	68,475	19,681

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Trade and other debtors (continued)

The amounts owed by group undertakings due within one year were repayable on demand and bear no interest. These were in 2018 with Colart International Holdings Limited £1,424,000 and Crown Artist Brush £95,000. These were repaid in 2019.

The loan amounts owed by group undertakings are interest bearing and payable on 31 December 2020. These are with Colart International Holdings Limited £34,000,000 (2018: £521,000), Winsor & Newton Ltd £16,089,000 (2018: £16,089,000), Colart Contract Manufacturing £1,255,000 (2018: £1,255,000), Colart LeMans £7,115,000 (2018: £nil), Colart Americas £9,894,000 (2018: £nil). These loans bear interest at a rate equal to IBOR plus the RCF margin plus 0.5%

In 2018 there was also a loan with Elephant Art Ltd £100,000

11 Trade and other creditors

	2019 £ 000	2018 £ 000
Amounts due to group undertaking	103,357	55,223
Accruals and deferred income	17	6
Other	22	36
	103,396	55,265

The amounts due to group undertakings are £5,257,000 (2018: £5,257,000) due to Colart Fine Art & Graphics Limited, this is interest bearing and payable on 31 December 2020 and AB. Wilh Becker of £98,100,000 (2018: £46,026,000) repayable on demand and bears interest. Interest on the loan with Colart Fine Art & Graphics Ltd is at a rate equal to IBOR plus the RCF margin plus 0.5%, Interest on the loan with AB. Wilh Becker is charged based on GBP LIBOR plus a margin aligned to the parent Company's borrowings structured under a revolving credit facility. In 2018 there was also an amount of £3,940,000 due to Colart International Holdings Limited, this was repaid in 2019.

12 Share capital

Authorised

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	18,000	18,000	18,000	18,000

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	18,000	18,000	18,000	18,000

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Capital contribution

	2019 £ 000	2018 £ 000
Release of payable to group undertaking	45,000	45,000

14 Parent and ultimate parent undertaking

The Company's immediate parent Company is AB Wilh. Becker, a Company incorporated in Sweden and registered at Bruksgarden, SE-268 83, Hoganas, Sweden.

The ultimate controlling party is Lindengruppen AB, a Company incorporated in Sweden and registered at Bruksgarden, SE-268 83, Hoganas, Sweden.

The ultimate controlling party producing publicly available financial statements is Lindéngruppen AB, a Company incorporated and registered in Sweden. Lindéngruppen AB is the smallest and largest group in which the Company is consolidated. These financial statements are available upon request at the registered office from Bruksgarden, SE-268 83, Hoganas, Sweden.

15 *Events after the balance sheet date*

The emergence of the COVID-19 coronavirus in 2020 is having a significant impact on economies and has resulted in severe restrictions of movement of people across the world in addition to the closure of many retail outlets and production/distribution operations. It is likely that this will result in a short to medium term reduction in sales and profit, requiring Colart to draw on debt facilities provided by its intermediate parent company. However, as of the date of approving the financial statements, the global governmental response to the crisis remains very fluid and as such the directors are unable to reliably measure the potential impact.

On 28th Feb 2020, the Colart Group executed corporate restructuring activities with the intention of simplifying the ownership structure of the UK and Swedish entities within the Group. Whilst subsidiaries within the Group have been exchanged for considerations equal to carrying value these internal transfers of ownership have no bearing on Colart Group Holdings Limited's investments. All direct and indirect investments reported in note 9, are unaffected for Colart Group Holdings Limited and it's investment value is unchanged.

In March 2020, the Colart Group executed a loan reorganisation activity whereby all future borrowings would be structured through Colart Group Holdings Ltd. As part of this AB. Wilhelm Becker released Colart Group Holdings Ltd from £50m of debt from its £98.1m outstanding debt in exchange for an increase in equity. The effect of the Release was to improve the financial position of the Company and viability of the Company, as a going concern.