

# **Akzo Nobel Coatings (BLD) Limited**

**Directors' Report and Financial Statements**

**Registered number 4999211**

**31 December 2015**

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## **Contents**

Directors' Report	1
Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements	2
Independent auditor's report to the members of Akzo Nobel Coatings (BLD) Limited	3
Profit and Loss Account	5
Balance Sheet	6
Statement of Changes in Equity	7
Notes	8

## Directors' Report

The directors present their Directors' Report and Financial Statements for the year ended 31 December 2015.

### Principal activities and business review

The Company acts as an investment holding company for several Akzo Nobel trading companies within the UK (see note 9 for list) and holds assets relating to Akzo Nobel (CPS) Pension Scheme ("the CPS Scheme"). The Company operates a cash pooling arrangement with certain other group companies (see note 16) and also provides office accommodation for AkzoNobel staff at the Company's registered office address.

The results for the year ended 31 December 2015 are set out on page 5 of the financial statements.

### Change of Registered Office

On 1 October 2016, the Company changed its registered office address from 26<sup>th</sup> Floor, Portland House, Bressenden Place, London SW1E 5BG to The AkzoNobel Building, Wexham Road, Slough, SL2 5DS.

### Strategic Report

In accordance with Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company is exempt from preparing a Strategic Report.

### Proposed dividend

The directors do not recommend the payment of a dividend (2014: £nil).

### Directors

The directors who held office during the year were as follows:

O.H. Director Limited      resigned 25 February 2015

M. Smalley

D.A. Turner                  resigned 22 April 2015

S.B. Ray                      appointed 22 April 2015

### Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the current or prior financial year.

### 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the Company's auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

In line with the decision of Akzo Nobel N.V. (the ultimate parent) to appoint PricewaterhouseCoopers LLP as external auditors for the group for the year ending 31 December 2016, it is expected that PricewaterhouseCoopers LLP will be appointed as the auditors for the Company for the year ending 31 December 2016.

By order of the Board



S. Ray  
Director

The AkzoNobel Building  
Wexham Road  
Slough  
SL2 5DS

16 December 2016

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## KPMG LLP

15 Canada Square  
London  
E14 5GL  
United Kingdom

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL COATINGS (BLD) LIMITED**

We have audited the financial statements of Akzo Nobel Coatings (BLD) Limited for the year ended 31 December 2015 set out on pages 5 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.


Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



**Christopher Hearn (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

16 December 2016



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL AEROSPACE COATINGS LIMITED**

We have audited the financial statements of Akzo Nobel Aerospace Coatings Limited for the year ended 31 December 2015 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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

**Christopher Hearn (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

**Profit and loss account**  
*for the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	2014 £000
Administrative expenses		<b>(99)</b>	(408)
<b>Operating loss</b>		<b>(99)</b>	(408)
(Loss) / gain recognised on measurement to fair value		<b>(1,629)</b>	2,787
Interest receivable and similar income	5	<b>8,655</b>	10,899
Interest payable and similar charges	6	<b>(759)</b>	(674)
<b>Profit on ordinary activities before taxation</b>		<b>6,168</b>	12,604
Tax on profit on ordinary activities	7	<b>(1,258)</b>	(2,634)
<b>Profit for the financial year</b>		<b>4,910</b>	9,970

There are no items of other comprehensive income in either year.

The notes on pages 8 to 19 form part of these financial statements.

The results for both the current and preceding years relate to continuing operations.



**Balance sheet**  
*at 31 December 2015*

	<i>Note</i>	<b>2015</b>		<b>2014</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible fixed assets	8	-			37
Investments	9	-			-
Other financial assets	10	43,646			67,418
		43,646			67,455
<b>Current assets</b>					
Debtors (including £78,000 (2014: £78,000) due after more than one year)	11	496,771		458,817	
Cash at bank and in hand		1,746		1,075	
		498,517		459,892	
<b>Creditors: amounts falling due within one year</b>	12	(84,374)		(74,468)	
<b>Net current assets</b>			414,143		385,424
<b>Total assets less current liabilities</b>			457,789		452,879
<b>Net assets</b>			457,789		452,879
<b>Capital and reserves</b>					
Called up share capital	15	600,000		600,000	
Profit and loss account		(142,211)		(147,121)	
<b>Equity shareholders' funds</b>			457,789		452,879

The notes on pages 8 to 19 form part of these financial statements.

These financial statements were approved by the board of directors on 16 December 2016 and were signed on its behalf by:



**M. Smalley**  
**Director**

## Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	600,000	(157,091)	442,909
<b>Total comprehensive income for the period</b>			
Profit for the year	-	9,970	9,970
<b>Balance at 31 December 2014</b>	<b>600,000</b>	<b>(147,121)</b>	<b>452,879</b>

	Called up share Capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	600,000	(147,121)	452,879
<b>Total comprehensive income for the period</b>			
Profit for the year	-	4,910	4,910
<b>Balance at 31 December 2015</b>	<b>600,000</b>	<b>(142,211)</b>	<b>457,789</b>

The notes on pages 8 to 19 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Akzo Nobel Coatings (BLD) Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

In these financial statements, the Company has adopted FRS 101 and for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 20.

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

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

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

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

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

## Notes (continued)

### 1 Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that other financial assets are stated at their fair value. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

#### 1.2 Going concern

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

#### 1.3 Foreign currency

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

Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.5 Non-derivative financial instruments

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

##### *Trade and other debtors*

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

##### *Trade and other creditors*

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

##### *Investments*

Investments in subsidiaries are carried at cost less impairment. Investments are reviewed annually for impairment.

Financial instruments held for trading are stated at fair value, with any resultant gain or loss recognised in profit or loss.

##### *Interest-bearing borrowings*

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

#### 1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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

- fixtures and fittings - life of rental lease for the Company's registered office building

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.7 Impairment excluding deferred tax assets**

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **1.8 Employee Benefits**

##### *Defined contribution plans*

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

##### *Defined benefit plans*

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

#### **1.9 Taxation**

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

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.10 Expenses**

##### *Operating lease payments*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

### **2 Expenses and auditor's remuneration**

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Audit of these financial statements	<u>9</u>	<u>9</u>

The auditor's remuneration in 2014 was borne by another group company.

### **3 Staff numbers and costs**

The average number of persons employed by the Company during the year, analysed by category, was as follows.

	<b>2015</b> <b>Number</b>	<b>2014</b> <b>Number</b>
Administration	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

The aggregate payroll costs of these persons were as follows:

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Wages and salaries (net of medical insurance receipts)	91	98
Social security costs	8	8
Pension costs (note 14)	25	28
	<u>124</u>	<u>134</u>

### **4 Directors' remuneration**

No directors were employed by the Company during either year. The directors received no remuneration for their services to the Company in either year. The present directors are employed by, and receive remuneration for services from, a wholly owned subsidiary of the ultimate parent company.

### **5 Interest receivable and similar income**

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Receivable from third parties	2,909	6,073
Receivable from group undertakings	5,746	4,826
	<u>8,655</u>	<u>10,899</u>

## Notes (continued)

### 6 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on bank overdrafts	729	604
Interest payable to group undertakings	30	70
	<u>759</u>	<u>674</u>

### 7 Taxation

#### Recognised in the profit and loss account

	2015 £000	2015 £000	2014 £000	2014 £000
<i>UK corporation tax</i>				
Current tax on income for the period	(1,258)		(2,712)	
Total current tax		(1,258)		(2,712)
<i>Deferred tax (note 13)</i>				
Origination and reversal of temporary differences	-		78	
Total deferred tax		-		78
Total tax expense		<u>(1,258)</u>		<u>(2,634)</u>

#### Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	4,910	9,970
Total tax expense	(1,258)	(2,634)
Profit on ordinary activities before tax	6,168	12,604
Tax using the UK corporation tax rate of 20.25% (2014: 21.5 %)	(1,249)	(2,710)
Non-deductible expenses	(9)	(37)
Adjustments in respect of prior periods	-	113
Total tax expense	<u>(1,258)</u>	<u>(2,634)</u>

#### Factors that may affect future current and total tax charges

In the Autumn 2012 Budget Statement a corporation tax rate change was announced reducing the rate from 23% to 21% effective 1 April 2014 and in the Budget of March 2013 this 21% rate was further reduced to 20% effective from 1 April 2015. These changes were substantively enacted on 2 July 2013 and therefore the effective current tax rate applicable during 2015 was 20.25%.

In the Summer 2015 Budget Statement a corporation tax rate change was announced reducing the rate from 20% to 19% effective 1 April 2017, with a further reduction to 18% effective 1 April 2020. Both of these changes were substantively enacted on 26 October 2015. As a result of these changes, any deferred tax asset or liability at 31 December 2015 is recognised at 18%.

In the March 2016 Budget Statement a corporation tax rate change was announced reducing the rate from 18% to 17% effective 1 April 2020. This change was not substantively enacted at the balance sheet date but will reduce the current tax charge and any deferred tax asset of the Company in the future.



## Notes (continued)

### 8 Tangible fixed assets

	Fixtures and fittings £000
<b>Cost</b>	
At beginning and end of year	857
<b>Depreciation</b>	
At beginning of year	820
Charge for year	37
At end of year	857
<b>Net book value</b>	
At 31 December 2015	-
At 31 December 2014	37

### 9 Fixed asset investments

	Shares in group undertakings £000
<b>Cost</b>	
At beginning and end of year	147,335
<b>Provisions</b>	
At beginning and end of year	147,335
<b>Net book value</b>	
At 31 December 2015 and 2014	-

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2015	2014
Akzo Nobel Coatings Limited	England and Wales	Ordinary	100%	100%
Akzo Nobel Decorative Coatings Limited	England and Wales	Ordinary	100%	100%
Akzo Nobel Industrial Coatings	England and Wales	Ordinary	100%	100%
Akzo Nobel Powder Coatings Limited	England and Wales	Ordinary	100%	100%
Akzo Nobel Properties Limited *	England and Wales	Ordinary	100%	100%
Akzo Nobel Saudi Arabia Limited	Saudi Arabia	Issued Shares	49%	49%
Compania Mexicana de Pinturas Internacional SA de CV *	Mexico	Fixed capital stock	100%	100%
		Variable capital stock	100%	100%
International Coatings Limited *	England and Wales	Ordinary	100%	100%
International Paint Limited	England and Wales	Ordinary	100%	100%
International Paint (Research) Limited *	Korea	Ordinary	100%	100%
International Paint Sdn Bhd *	Malaysia	Ordinary	70%	70%
International Paints (Holdings) Limited *	England and Wales	Ordinary	100%	100%

\* Indirectly owned subsidiaries.

## Notes (continued)

### 10 Other financial assets

	2015 £000	2014 £000
Financial assets held for trading	43,646	67,418

Following an agreement between the board of Akzo Nobel N.V. and the trustees of the Akzo Nobel (CPS) Pension Scheme ("the CPS scheme") in 2007, an arrangement was agreed to hold funding for the pension scheme in an escrow account in the name of the Company on behalf of the contributing members of the CPS scheme. The funds are invested in bonds during the year. The agreement stipulates that the minimum funding from the escrow account of the pension fund is £25,000,000 per year and this is classified within "Other debtors" (see note 11).

### 11 Debtors

	2015 £000	2014 £000
Amounts owed by group undertakings	471,459	433,536
Other debtors	25,032	25,009
Prepayments and accrued income	202	194
Deferred tax asset (see note 13)	78	78
	<u>496,771</u>	<u>458,817</u>
Due within one year	496,693	458,739
Due after more than one year	78	78
	<u>496,771</u>	<u>458,817</u>

Amounts owed by group undertakings includes an intercompany loan of £394,000,000 (2014: £309,000,000). The loan, which was settled and renegotiated in 2015, matures on 15 June 2016. Interest is fixed at 1.49%.

Other debtors include £25,000,000 (2014: £25,000,000) representing annual minimum funding from the escrow account of the pension fund (see note 10).

### 12 Creditors

	2015 £000	2014 £000
Amounts falling due within one year		
Bank overdrafts	70,906	63,207
Trade creditors	27	23
Amounts owed to group undertakings	2,516	1,831
Taxation and social security	10,213	8,954
Accruals and deferred income	712	453
	<u>84,374</u>	<u>74,468</u>

## Notes (continued)

### 13 Deferred tax asset

#### *Recognised deferred tax assets*

Deferred tax assets are attributable to the following:

	2015 £000	2014 £000
Tangible fixed assets	78	78
	<u>78</u>	<u>78</u>

### 14 Employee Benefits

#### **Defined benefit plans**

The Company is a participant in a group wide defined benefit scheme. As the legally sponsoring entity, the financial statements of Akzo Nobel UK Ltd identify and disclose the information on the plan as prescribed by IAS19, and these financial statements are available from the Company's registered office at The AkzoNobel Building, Wexham Road, Slough, SL2 5DS or from Companies House. The contributions payable in respect of active members by the participating entities are determined following each triennial valuation conducted by qualified independent actuary, and charged as a percentage of salary costs. The charge recognised in respect of active members in 2015 was £28,616 (2014: £31,793).

#### **Defined contribution plans**

The Company operates a defined contribution pension plan.

The total expense relating to this plan in 2015 was £3,785 credit (2014: £4,205 credit)

### 15 Capital and reserves

	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>		
600,000,000 (2014: 600,000,000) Ordinary shares of £1 each	600,000	600,000

All share capital is classified as shareholders' funds. There has been no movement in the number of shares in the current period.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes (continued)

### 16 Bank facilities

The Company operates a cash pooling arrangement with certain other group companies. This arrangement allows those participating companies to draw upon or credit amounts to separately designated facilities within a cash pool account in the name of the Company. Those participating companies operate their facilities as if these were the companies own bank accounts; however, they have no legal title. All parties to the arrangement are jointly and severally liable to the bank for any overdraft thereon. At 31 December 2015 the balance was £1,746,000 credit (2014: £1,075,000 credit). Included within amounts owed to group undertakings is £2,486,000 (2014: £1,829,000 owed to) in respect of the Company's share of the account due to other participants in the facility.

### 17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015	2014
	£000	£000
Less than one year	244	122
	<u>224</u>	<u>122</u>

### 18 Contingencies

The Company has guaranteed a rental obligation of its 100% owned subsidiary, Akzo Nobel Powder Coatings Limited for the 3 year period January 2014 to December 2016. The annual guaranteed obligation is £35,000 per annum.

The Company has also guaranteed a rental obligation of its 100% owned subsidiary, Akzo Nobel Coatings Limited for the 10 year period April 2015 to April 2025. The annual guaranteed obligation is £63,800 per annum.

There was no call upon the Company relating to either obligation during 2015 (2014: £Nil).

### 19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Akzo Nobel Chemicals International B.V., a company incorporated in the Netherlands.

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

## Notes (continued)

### 20 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

#### Reconciliation of equity

	Note	1 January 2014			31 December 2014		
		UK GAAP £000	Effect of transition to FRS101 £000	FRS101 £000	UK GAAP £000	Effect of transition to FRS101 £000	FRS101 £000
<b>Fixed assets</b>							
Tangible fixed assets		200	-	200	37	-	37
Investments		-	-	-	-	-	-
Other financial assets	a	69,959	13,604	83,563	51,027	16,391	67,418
		<u>70,159</u>	<u>13,604</u>	<u>83,763</u>	<u>51,064</u>	<u>16,391</u>	<u>67,455</u>
<b>Current assets</b>							
Amounts owed by group undertakings		626,171	-	626,171	433,536	-	433,536
Other debtors		25,011	-	25,011	25,009	-	25,009
Deferred tax asset (see note 13)		-	-	-	78	-	78
Prepayments and accrued income		214	-	214	194	-	194
Cash at bank and in hand		349	-	349	1,075	-	1,075
		<u>651,745</u>	<u>-</u>	<u>651,745</u>	<u>459,892</u>	<u>-</u>	<u>459,892</u>
<b>Creditors: amounts due within one year</b>							
Bank overdrafts		(50,434)	-	(50,434)	(63,207)	-	(63,207)
Trade creditors		(31)	-	(31)	(23)	-	(23)
Amounts owed to group undertakings		(225,726)	-	(225,726)	(1,831)	-	(1,831)
Taxation and social security	a	(13,152)	(2,755)	(15,907)	(5,635)	(3,319)	(8,954)
Accruals and deferred income		(501)	-	(501)	(453)	-	(453)
		<u>(289,844)</u>	<u>(2,755)</u>	<u>(292,599)</u>	<u>(71,149)</u>	<u>(3,319)</u>	<u>(74,468)</u>
<b>Net current assets</b>		<u>361,901</u>	<u>(2,755)</u>	<u>359,146</u>	<u>388,743</u>	<u>(3,319)</u>	<u>385,424</u>
<b>Net assets</b>		<u>432,060</u>	<u>10,849</u>	<u>442,909</u>	<u>439,807</u>	<u>13,072</u>	<u>452,879</u>
<b>Capital and reserves</b>							
Called up share capital		600,000	-	600,000	600,000	-	600,000
Profit and loss account	a	(167,940)	10,849	(157,091)	(160,193)	13,072	(147,121)
<b>Shareholders' funds</b>		<u>432,060</u>	<u>10,849</u>	<u>442,909</u>	<u>439,807</u>	<u>13,072</u>	<u>452,879</u>

## Notes (continued)

### 20 Explanation of transition to FRS 101 (continued)

#### Reconciliation of profit for 2014

	Note	UK GAAP £000	2014 Effect of transition to FRS101 £000	FRS101 £000
Administrative expenses		(408)	-	(408)
<b>Operating loss</b>		<b>(408)</b>	<b>-</b>	<b>(408)</b>
Gain recognised on measurement to fair value	a	-	2,787	2,787
Interest receivable and similar income		10,899	-	10,899
Interest payable and similar charges		(674)	-	(674)
<b>Profit on ordinary activities before taxation</b>		<b>9,817</b>	<b>2,787</b>	<b>12,604</b>
Tax on profit on ordinary activities	a	(2,070)	(564)	(2,634)
<b>Profit for the financial year</b>		<b>7,747</b>	<b>2,223</b>	<b>9,970</b>

#### Notes to the reconciliation of profit and equity

- a) Under old GAAP the financial instruments on escrow account were valued at historical cost, with fair value disclosed separately. Under FRS101 these instruments are classified as assets held for trading and are measured at fair value through profit or loss.