Akzo Nobel Finance Limited

Annual Report and Financial Statements
31 December 2015
Registered number 8478849

Contents

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2015.

Principal activities

The Company's principal activity is to provide financing to fellow subsidiaries of Akzo Nobel N.V., the Company's immediate parent and ultimate parent company of the Group.

Business review

Results

The Company recorded €63m (2014: €54m) in net interest income and also a net exchange gain of €47m (2014: €88m) on the Company's non-euro denominated loan book which consisted of a gain of €92m (2014: €137m) offset by €45m (2014: €49m) of fair value losses on exchange hedging contracts. After an administration charge of €1m (2014: €1m), the Company recorded a profit before tax of €109m (2014: €141m).

The results for the year ended 31 December 2015 are set out on page 6 of the financial statements.

The net assets of the Company as at 31 December 2015 were €1,794m (2014: €1,707m).

During the period, the Company entered into a variety of new loans and will continue to do so, based on the directors' careful consideration of the funding proposals presented to the Board and a set process of internal checks and controls.

At the period end, the principal value of the Company's Loan Book was €2,140m (2014: €1,996m).

Governance

The directors of the Company hold regular board meetings to analyse and discuss the financial results, performance of the Loan Book, new funding proposals and operations of the Company. There is also a set process in place for preparation, sign-off and delivery of funding proposals prior to submission to the Board, as well as a clear process for approving and signing loan facilities which meets the requirements of the Companies Act 2006 and intra-group procedures.

Principal risks and uncertainties

The principal risk for the Company is the exposure to adverse movements in the exchange rates of the Company's Loan Book. The Company manages this risk through the use of forward exchange contracts in line with the Company's policy on hedging. The Company's overall exchange exposure is reviewed on a daily basis and is hedged accordingly. The gain or loss resulting from exchange movements is reviewed by the Board of Directors of the Company on a regular basis.

By order of the Board

J. Keane
Director

26th Floor Portland House
Bressenden Place
London
SW1E 5BG

26 September 2016

Directors' Report

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

Dividend

The directors do not recommend the payment of a dividend for the year (2014: Nil).

Post Balance Sheet Events

On 7 January 2016, the Company subscribed for and was issued a further 863,583,000 ordinary shares of USD 1.00 in its, wholly-owned subsidiary, Akzo Nobel Finance (2) Limited for a consideration of $863,583,000. On the same date, the Company entered into an interest bearing loan arrangement with Akzo Nobel Finance (2) Limited to borrow $863,583,000.

Directors

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

O. H. Director Limited	resigned 8 April 2015
J. Keane	appointed 8 April 2015
R. Peppel	
S. Ray	
M. Smalley	
D.A. Turner	resigned 8 April 2015
F. O'Shea	appointed 11 November 2015

Political contributions

The Company made no political contributions during the year (2014:Nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the 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.

Disclosure of information to auditors

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.

By order of the Board

O.H. SECRETARIAT LIMITED
AUTHORISED SIGNATORY

O.H. Secretariat Limited
Secretary

26th Floor
Portland House
Bressenden Place
London
SW1E 5BG

26 September 2016

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, 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 Finance Limited

We have audited the financial statements of Akzo Nobel Finance Limited for the year ended 31 December 2015 set out on pages 6 to 16 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.

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 Strategic Report and 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 Strategic Report and the Directors' report:

- we have not identified material misstatements in those reports; and.
- in our opinion, those reports have 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.

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

26 September 2016

Profit and loss account
for the year ended 31 December 2015

	Note	**2015**	**2014**
		€m	**€m**
Administrative expenses	*2-4*	**(1)**	**(1)**
Interest receivable and similar income	*5*	**173**	**213**
Interest payable and similar charges	*6*	**(63)**	**(71)**
Profit on ordinary activities before taxation		**109**	**141**
Tax on profit on ordinary activities	*7*	**(22)**	**(30)**
Profit on ordinary activities after taxation and for the financial period		**87**	**111**

The notes on pages 9 to 16 form part of these financial statements.

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

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

Balance sheet
at 31 December 2015

	Note	2015 €m	2015 €m	2014 €m	2014 €m
Fixed assets					
Investments	8		1,024		947
Current assets					
Debtors (including €886m (2014: *€754m*) due after more than one year)	9	1,240		1,185	
Cash at bank		1		1	
Creditors: amounts falling due within one year	10	(471)		(426)	
Net current assets			770		760
Net assets			1,794		1,707
Capital and reserves					
Called up share capital	11		2		2
Share premium			1,620		1,620
Profit and loss account			172		85
Equity shareholder's funds			1,794		1,707

The notes on pages 9 to 16 form part of these financial statements.

These financial statements were approved by the board of directors on 26 September 2016 and were signed on its behalf by:

J. Keane
Director

26 September 2016

Statement of Changes in Equity

	Called up share capital	Share Premium account	Profit and loss account	Total equity
	€m	€m	€m	€m
Balance at 1 January 2014	1	1,196	(26)	1,171
Total comprehensive income for the period				
Profit or loss	-	-	111	111
Transactions with owners, recorded directly in equity				
Issue of shares	1	424	-	425
Balance at 31 December 2014	**2**	**1,620**	**85**	**1,707**

	Called up share capital	Share Premium account	Profit and loss account	Total equity
	€m	€m	€m	€m
Balance at 1 January 2015	2	1,620	85	1,707
Total comprehensive income for the period				
Profit or loss	-	-	87	87
Balance at 31 December 2015	**2**	**1,620**	**172**	**1,794**

The notes on pages 9 to 16 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

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

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 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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. In the transition to FRS 101 from UK GAAP, the Company has made no measurement and recognition adjustments.

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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements; 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are recognised at fair value, investments are measured at cost less impairment and other 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 Interest receivable/ (payable) and similar income/ (expense)

Interest receivable/ (payable) and similar income/ (expense) comprises interest on amounts owed by / (owed to) group undertakings calculated using the effective interest method, net exchange movements on amounts owed by/ (owed to) group undertakings and movements in fair value of related derivative financial instruments.

1.4 Foreign currencies

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.

1.5 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.

1.6 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)*

1.7 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1.8 Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other debtors, 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 jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

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.

1.9 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.

1.10 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.

Notes *(continued)*

2 Expenses and auditor's remuneration

	2015 €000	2014 €000
Audit of these financial statements	27	26

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

3 Directors and employees

	2015 €000	2014 €000
Directors' emoluments in respect of qualifying services	293	275
Amounts receivable under long term incentive schemes	44	22
Company contributions to money purchase pension schemes	27	20

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director in respect to qualifying services was €277,931 (2014: €185,000) and Company pension contributions of €21,685 (2014: €16,000) were made to a money purchase scheme on behalf of the highest paid director in respect of qualifying services.

	Number of employees 2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
The number of directors in respect of whose services, shares in the ultimate parent company were received or are receivable under long term incentive schemes	1	1

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was as follows:

	Number of employees	
	2015	2014
Corporate	**3**	4

The aggregate payroll costs of these persons were as follows:

	€000	€000
Wages and salaries	**415**	491
Social security costs	**65**	64
Other pension costs	**62**	64
	542	619

5 Interest receivable and similar income

	2015	2014
	€m	€m
Interest receivable from group undertakings	**81**	76
Net exchange gains	**92**	137
	173	213

6 Interest payable and similar charges

	2015	2014
	€m	€m
Interest payable to group undertakings	**(18)**	(22)
Fair value losses on derivative financial instruments	**(45)**	(49)
	(63)	(71)

The Company uses derivative financial instruments to hedge its exposure to currency translations arising from financing activities unless where repayment of a loan is not currently intended in the foreseeable future.

Notes *(continued)*

7 Taxation

Recognised in the profit and loss account

Analysis of charge in year	**2015 €m**	2014 €m
UK corporation tax		
Current tax charge for the year	**(22)**	(23)
Deferred tax		
Deferred tax movement for the year	**-**	(7)
Tax charge on profit on ordinary activities	**(22)**	(30)

Reconciliation of effective tax rate

	2015 €m	2014 €m
Profit for the year	**87**	111
Total tax expense	**(22)**	(30)
Profit excluding taxation	**109**	141
Tax using UK corporation tax rate 20.25% (2014: 21.5%)	**(22)**	(30)
Total tax expense	**(22)**	(30)

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 will be 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 Fixed asset investments

	2015	2014
	€m	€m
At beginning of year	**947**	871
Additions	**123**	43
Repayments	**(104)**	(55)
Net exchange gains	**58**	88
At end of year	**1,024**	947

The Company's investments consist of loans advanced to fellow group companies where repayment is not currently intended in foreseeable future.

On 25 November 2015, the Company incorporated Akzo Nobel Finance (2) Limited, (registered in England and Wales) a wholly-owned subsidiary and subscribed for, and was issued 1 fully paid Ordinary Share of $1.00 equal to 100% of Akzo Nobel Finance (2) Limited's share capital. On 7 January 2016, the Company subscribed for and was issued a further 863,583,000 ordinary shares of USD 1.00 in Akzo Nobel Finance (2) Limited for a consideration of $863,583,000. On the same date, the Company entered into an interest bearing loan arrangement with Akzo Nobel Finance (2) Limited to borrow $863,583,000.

9 Debtors

	2015	2014
	€m	€m
Amounts owed by group undertakings	**1,237**	1,184
Derivative financial instruments	**3**	1
	1,240	1,185
Due within one year	**354**	431
Due after more than one year	**886**	754
	1,240	1,185

10 Creditors: amounts falling due within one year

	2015	2014
Amounts falling due within one year:	**€m**	€m
Amounts owed to group undertakings	**(467)**	(421)
Derivative financial instruments	**(4)**	(5)
	(471)	(426)

Notes *(continued)*

12 Capital and reserves

Share capital

	2015	2014
	€m	€m
Allotted, called up and fully paid		
1,621,335 (2014: *1,621,335)* ordinary shares of €1 each	**2**	2

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.

13 Immediate and ultimate parent company

The immediate and ultimate parent company of the Company is Akzo Nobel N.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..

Copies of the Akzo Nobel N.V. Annual Report and Accounts are available to the public and may be obtained from 76 Velperweg, PO Box 9300, 6800 SB Arnhem, The Netherlands.