

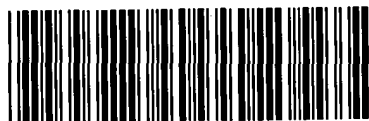
# **Akzo Nobel Finance Limited**

Annual Report and Financial Statements

31 December 2017

Registered number 8478849

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## Strategic Report

The directors present their Strategic Report and the audited financial statements for the year ended 31 December 2017.

### 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

The Company recorded €70m (2016: €43m) in net interest income and a net exchange loss of €37m (2016: gain €5m) on the Company's non-euro denominated loan book. After an administration charge of €1m (2016: €1m), the Company recorded a profit before taxation of €32m (2016: €47m).

The results for the year ended 31 December 2017 are set out on page 7 of the financial statements.

The net assets of the Company as at 31 December 2017 were €1,858m (2016: €1,832m).

During the year, 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 year end, the principal value of the Company's Loan Book was €2,311m (2016: €2,158m).

### Post Balance Sheet Event

On 21 December 2017, the Company issued an Irrevocable Notice of Prepayment to Akzo Nobel Finance (2) Limited confirming its intention to prepay a sum of USD 186,564,706 against the loan of USD 879,583,000 with effect from 1 January 2018.

As a result of the decision by Akzo Nobel N.V. to separate its global businesses into two distinct and standalone groups: specialty chemicals and paints and coatings; the Company entered into an agreement to transfer its portfolio of loans with specialty chemicals companies to Akzo Nobel Chemicals Finance B.V. with effect from 1 January 2018, for a consideration of €519,028,913.

On 3 January 2018, the Company received surplus assets in the amount of USD 206,254,257 (€171,229,303) generated by the reduction of share capital in its subsidiary, Akzo Nobel Finance (2) Limited.

On 14 February 2018, the Company issued an Irrevocable Notice of Prepayment to Akzo Nobel N.V. confirming its intention to prepay €110,000,000 against the 2A Loan of €475,000,000. On the same date, the directors declared an interim dividend of €200,000,000 to all shareholders on the Register, in the amount of €123.35 per share (2016: Nil).

On 22 February 2018, the Company reduced its share capital by €154,000 and its share premium by €153,846,000 and the surplus assets were returned to its shareholder, Akzo Nobel N.V.

### 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.

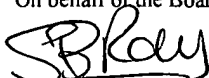
## Strategic Report (*continued*)

### Key Performance Indicators

The key performance indicators for the Company are listed below:

Indicator	2017	2016	Delta
Interest income	€104m	€80m	€24m
Average interest rate on loans due after more than one year	2.65%	2.58%	0.07%

On behalf of the Board



S. Ray  
Director

The AkzoNobel Building  
Wexham Road  
Slough  
United Kingdom  
SL2 5DS

09 August 2018

## Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2017.

### Dividend

The directors do not recommend the payment of a dividend for the year (2016: Nil).

### Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

J. Keane  
S. Ray  
M. Smalley  
J. Timmerman (appointed 31 December 2016, resigned 12 December 2017)  
F. O'Shea

### 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.

### Financial Risk Management

Financial risk includes price risk, credit risk, liquidity risk, foreign exchange risk, and cash flow risk. These are addressed and managed at a group level as disclosed in the AkzoNobel Annual Report 2017, pages 31 to 35 and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.

An overall risk management program seeks to identify, assess and if necessary, mitigate these financial risks in order to minimise potential adverse effects on financial performance.

### Future developments

The directors feel that the Company is well placed to continue progress during 2017.

### Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## Directors' Report (continued)

### Statement of directors' responsibilities in respect of the financial statements (continued)

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

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

### Disclosure of information to auditors

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

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

### Independent Auditors

PricewaterhouseCoopers LLP have been appointed as the Company's auditor, holding office until to the end of the next period for appointing auditors in accordance with section 485(4c) of the Companies Act 2006.

On behalf of the Board



F. O'Shea  
Director

The AkzoNobel Building  
Wexham Road  
Slough  
United Kingdom  
SL2 5DS

09 August 2018

## ***Independent auditors' report to the members of Akzo Nobel Finance Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Akzo Nobel Finance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## ***Independent auditors' report to the members of Akzo Nobel Finance Limited (continued)***

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Strategic Report and Directors' Report***

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### ***Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

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

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Miles Saunders (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
13 August 2018

**Statement of Comprehensive Income**  
*for the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> €m	<b>2016</b> €m
Administrative expenses		(1)	(1)
Interest receivable and similar income	7	113	89
Interest payable and similar expenses	8	(80)	(41)
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>32</b>	<b>47</b>
Tax on profit	9	(6)	(9)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>26</b>	<b>38</b>
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>26</b>	<b>38</b>
		<hr/> <hr/>	<hr/> <hr/>

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

**Balance Sheet**  
*at 31 December 2017*

	<i>Note</i>	<b>2017</b> €m	<b>2016</b> €m
<b>Fixed assets</b>			
Investments	<i>10</i>	<b>1,480</b>	<b>1,856</b>
<b>Current assets</b>			
Debtors (including €1,494m (2016: €1,166m) due after more than one year)	<i>11</i>	<b>1,673</b>	<b>1,316</b>
Cash at bank and in hand		-	<b>1</b>
<b>Creditors: amounts falling due within one year</b>	<i>12</i>	<b>(241)</b>	<b>(70)</b>
<b>Net current assets</b>		<b>1,432</b>	<b>1,247</b>
<b>Creditors: amounts falling due after more than one year</b>	<i>13</i>	<b>(1,054)</b>	<b>(1,271)</b>
<b>Net assets</b>		<b>1,858</b>	<b>1,832</b>
<b>Capital and reserves</b>			
Called up share capital	<i>15</i>	<b>2</b>	<b>2</b>
Share premium account		<b>1,620</b>	<b>1,620</b>
Retained earnings		<b>236</b>	<b>210</b>
<b>Total shareholders' funds</b>		<b>1,858</b>	<b>1,832</b>

The notes on pages 10 to 20 form part of these financial statements.

These financial statements on pages 7 to 20 were authorised for issue by the board of directors on 09 August 2018 and were signed on its behalf by:



M. Smalley

*Director*

**Statement of Changes in Equity**  
*for the year ended 31 December 2017*

	<b>Called up share capital</b>	<b>Share Premium account</b>	<b>Retained earnings</b>	<b>Total shareholders' funds</b>
	€m	€m	€m	€m
Balance at 1 January 2016	2	1,620	172	1,794
Profit for the financial year	-	-	38	38
<b>Total comprehensive income for the year</b>	-	-	38	38
<b>Balance at 31 December 2016</b>	<b>2</b>	<b>1,620</b>	<b>210</b>	<b>1,832</b>

	<b>Called up share capital</b>	<b>Share Premium account</b>	<b>Retained earnings</b>	<b>Total shareholders' funds</b>
	€m	€m	€m	€m
Balance at 1 January 2017	2	1,620	210	1,832
Profit for the financial year	-	-	26	26
<b>Total comprehensive income for the year</b>	-	-	26	26
<b>Balance at 31 December 2017</b>	<b>2</b>	<b>1,620</b>	<b>236</b>	<b>1,858</b>

On 14 February 2018, the directors declared an interim dividend of €200,000,000 to all shareholders on the Register, in the amount of €123.35 per share (2016:Nil).

## Notes to the Financial Statements

### 1 General information

Akzo Nobel Finance Limited (the "Company") is a private Company limited by shares and is incorporated and domiciled in the UK. The Company registration number is 8478849 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, United Kingdom, SL2 5DS.

### 2 Accounting policies

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

#### 2.1 Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") under historical cost convention in Euro. 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.

The financial statements are prepared on the historical cost basis and derivative financial assets and financial liabilities measured at fair value through profit and loss.

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.

The Company is exempt by virtue of Section 400 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.

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

- Statement of Compliance with IFRS
- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions entered into between two or more members of a group;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- 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:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

## Notes to the Financial Statements (*continued*)

### 2 Accounting policies (*continued*)

#### 2.2 New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017, have had a material impact on the Company.

#### 2.3 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.

#### 2.4 Interest receivable/ (payable) and similar income/ (expense)

Interest receivable/ (payable) and similar income/ (expense) comprises interest on amounts owed by / (owed to) group undertakings is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate, net exchange movements on amounts owed by/ (owed to) group undertakings and movements in fair value of related derivative financial instruments.

#### 2.5 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Euro' (€), which is also the Company's functional currency.

##### (b) Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency 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 statement of comprehensive income.

#### 2.6 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income.

The Company uses derivatives 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. The entity does not use hedge accounting.

## Notes to the Financial Statements *(continued)*

### 2 Accounting policies *(continued)*

#### 2.7 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.8 Debtors

Amounts receivable are amounts due from group companies for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### 2.9 Creditors

Amounts payable are amounts due to group companies for services that have been acquired in the ordinary course of business.

Amounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

#### 2.11 Investments in subsidiaries and associated undertakings

Investments in subsidiaries, associates and joint ventures are held at cost less accumulated impairment losses. Investments are annually reviewed and considered for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### 2.12 Fixed asset investments

Fixed asset investments consist of loans advanced to fellow group companies where repayment is not currently intended in the foreseeable future.

## Notes to the Financial Statements (*continued*)

### 2 Accounting policies (*continued*)

#### 2.13 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 statement of comprehensive income in the periods during which services are rendered by employees.

#### 2.14 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 3.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *(a) Impairment of debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

##### *(b) Impairment of non-financial assets*

When assessing impairment of non-financial assets, management considers factors including the net asset value, nature of the entity, historical experience (such as political environment) and future cash flows. Future cash flows are estimated and inherently uncertain.

### 4 Auditors' remuneration

There is no charge for the remuneration of auditors' in the financial statements of the Company as the auditors' fee of £15,000 (2016: £15,000) in relation to the audit of this Company was borne by another group company and is not recharged.

## Notes to the Financial Statements *(continued)*

### 5 Directors

Directors of a Company also provide qualifying services to other Group companies. Directors' time is not apportioned and their costs are not allocated between Group companies.

The remuneration of directors paid by the Company is as follows:

	2017 €000	2016 €000
Aggregate directors' emoluments in respect of qualifying services	181	212
Amounts receivable under long term incentive schemes	17	11
Company contributions to money purchase pension schemes	25	20

The remuneration of directors paid by other Group companies and not recharged, for services to the Group as a whole including this Company, is as follows:

	2017 €000	2016 €000
Aggregate directors' emoluments paid by other Group Companies	257	292
Amounts receivable under long term incentive schemes	-	-
Contributions to defined benefit schemes	56	63

The following includes all Directors:

	Number of employees 2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
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	2	2

Post-employment benefits are accruing for two (2016: two) under a defined benefit scheme.

### Highest paid director

The highest paid director's emoluments were as follows:

	2017 €000	2016 €000
Total amount of emoluments and amounts (excluding shares) receivable under		
Long-term incentive schemes	198	223
Money purchase schemes	25	20

## Notes to the Financial Statements *(continued)*

### 6 Staff numbers and costs

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

	Number of employees	
By activity	2017	2016
Corporate	3	2

The aggregate payroll costs of these persons were as follows:

	€000	€000
Wages and salaries	579	463
Social security costs	51	66
Other pension costs	51	54
	<u>681</u>	<u>583</u>

### 7 Interest receivable and similar income

	2017 €m	2016 €m
Interest receivable from group undertakings	104	80
Fair value gains on derivative financial instruments	9	-
Net exchange gains	-	9
	<u>113</u>	<u>89</u>

### 8 Interest payable and similar expenses

	2017 €m	2016 €m
Interest payable to group undertakings	(34)	(37)
Fair value losses on derivative financial instruments	-	(4)
Net exchange losses	(46)	-
	<u>(80)</u>	<u>(41)</u>

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 to the Financial Statements (*continued*)

### 9 Tax on profit

#### Recognised in the statement of comprehensive income

<i>Analysis of charge in year</i>	2017 €m	2016 €m
<i>UK corporation tax</i>		
Current tax charge for the year	(6)	(9)
<i>Deferred tax</i>		
Deferred tax movement for the year	-	-
	<hr/>	<hr/>
Tax charge on profit before taxation	(6)	(9)
	<hr/>	<hr/>

#### Reconciliation of standard tax rate

	2017 €m	2016 €m
Profit before taxation	32	47
Tax using UK corporation tax rate 19.25% (2016: 20%)	(6)	(9)
	<hr/>	<hr/>
Total tax expense	(6)	(9)
	<hr/>	<hr/>

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

In the Summer 2015 Budget Statement this rate was reduced from 20% to 19% effective 1 April 2017, with a further reduction to 18% effective 1 April 2020, and In the March 2016 Budget Statement it was announced this rate would reduce from 18% to 17% effective 1 April 2020. All of these changes have been substantively enacted at the balance sheet date.

As a result of these changes, the effective current tax rate applicable for 2016 was 20% and the rate applicable for 2017 was 19.25%. The rate applied to deferred tax balances is 17% as these balances are not expected to be utilised until after this rate takes effect.

## Notes to the Financial Statements *(continued)*

### 10 Fixed Asset Investments

	Loans to group undertakings	Shares in group undertakings	Total
	€m	€m	€m
<b>Cost</b>			
At beginning of year	1,056	800	1,856
Additions	17	-	17
Reclassified to Debtors	(269)	-	(269)
Net exchange losses	(124)	-	(124)
At end of year	680	800	1,480
<b>Provisions</b>			
At beginning and end of year	-	-	-
<b>Net book value</b>			
As at 31 December 2017	680	800	1,480
At 31 December 2016	1,056	800	1,856

On 25 November 2015, the Company incorporated Akzo Nobel Finance (2) Limited (in the United Kingdom), a wholly owned subsidiary and subscribed for, and was issued 1 fully paid Ordinary Share of \$1.00 equal to 100% of its 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 (€799,539,857.42). On the same date, the Company entered into an interest bearing loan arrangement with its wholly owned subsidiary to borrow \$863,583,000 (€799,539,857.42).

On 3 January 2018, the Company received surplus assets in the amount of USD 206,254,257 (€171,229,303) generated by the reduction of share capital in its subsidiary, Akzo Nobel Finance (2) Limited.

Subsidiary undertakings	Country of Incorporation	Class of shares held	Ownership	
			2017	2016
Akzo Nobel Finance (2) Limited	England and Wales	Ordinary	100%	100%

Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee	Registration number	Public or private
Akzo Nobel Finance (2) Limited	The AkzoNobel Building, Wexham Road Slough United Kingdom SL2 5DS	Shares	9889324	Private

## Notes to the Financial Statements *(continued)*

### 11 Debtors

	2017	2016
	€m	€m
Amounts owed by group undertakings	1,645	1,309
Derivative financial instruments	28	7
	<u>1,673</u>	<u>1,316</u>
Due within one year	179	150
Due after more than one year	1,494	1,166
	<u>1,673</u>	<u>1,316</u>

Amounts owed by group undertakings due within one year include intercompany loans totalling €137,025,229 (2016: €91,789,041) maturing during 2018. Average interest is fixed at 4.16% (2016: 2.01%).

Amounts owed by group undertakings due after more than one year include intercompany loans totalling €1,493,884,950 (2016: €1,166,427,390) maturing between 14 January 2019 and 12 December 2023. Average interest is fixed at 2.65% (2016: 2.58%).

Remaining amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

As a result of the decision by Akzo Nobel N.V. to separate its global businesses into two distinct and standalone groups: specialty chemicals and paints and coatings; the Company entered into an agreement to transfer its portfolio of loans with specialty chemicals companies to Akzo Nobel Chemicals Finance B.V. with effect from 1 January 2018, for a consideration of €519,028,913.

### 12 Creditors: amounts falling due within one year

	2017	2016
	€m	€m
Amounts owed to group undertakings	(225)	(23)
Derivative financial instruments	(8)	(4)
Group relief payable	(8)	(43)
	<u>(241)</u>	<u>(70)</u>

Amounts owed to group undertakings include a balance of €47,619,132 (2016: Debtor €40,085,482) that is repayable on demand. Interest is charged monthly based on 1 month LIBOR plus a spread of +15 / -10 basis points.

Amounts owed to group undertakings includes unpaid interest of €21,053,291 (2016: €23,156,405) on intercompany loans.

Equivalent consideration will be paid to fellow group companies to settle group relief balances.

Remaining amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## Notes to the Financial Statements *(continued)*

### 13 Creditors: amounts falling after more than one year

	2017	2016
	€m	€m
Amounts owed to group undertakings	(1,054)	(1,271)

Amounts owed to group undertakings includes intercompany loans totalling €1,210,007,103 (2016: €1,270,740,354) maturing between 7 January 2020 and 24 May 2023. Average interest is fixed at 2.68% (2016: 2.66%). On 21 December 2017, the Company issued an Irrevocable Notice of Prepayment to Akzo Nobel Finance (2) Limited confirming its intention to prepay a sum of USD 186,564,706 against the loan of USD 879,583,000 effective 1 January 2018. This amount has been classified as creditors' amounts due within one year

On 14 February 2018, the Company issued an Irrevocable Notice of Prepayment to Akzo Nobel N.V. confirming its intention to prepay €110,000,000 against the 2A Loan of €475,000,000.

### 14 Derivative financial instruments

The company has financial assets and liabilities measured at fair value through profit or loss. These have been disclosed as derivative financial instruments in Debtors and Creditors: amounts falling due within one year, in notes 12 and 13 respectively.

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for foreign currency receivables. At 31 December 2017, the outstanding contracts all mature within 12 months (2016: 12 months) of the year end. The Company is committed to buy or sell in 23 (2016: 21) foreign currencies for a fixed Euro amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable outputs. The key assumptions used in valuing the derivatives are the exchange rates for Euro to 23 foreign currencies.

### 15 Called up share capital

	2017	2016
	€m	€m
<i>Authorised, allotted, issued and fully paid</i>		
1,621,335 (2016: 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 year. 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.

On 22 February 2018, the Company reduced its share capital by €154,000 and the surplus assets were returned to its shareholder, Akzo Nobel N.V.

### 16 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 Financial Statements are available to the public and may be obtained from 76 Velperweg, PO Box 9300, 6800 SB Arnhem, The Netherlands.

## Notes to the Financial Statements *(continued)*

### 17 Post Balance Sheet Event

On 21 December 2017, the Company issued an Irrevocable Notice of Prepayment to Akzo Nobel Finance (2) Limited confirming its intention to prepay a sum of USD 186,564,706 against the loan of USD 879,583,000 with effect from 1 January 2018

As a result of the decision by Akzo Nobel N.V. to separate its global businesses into two distinct and standalone groups: specialty chemicals and paints and coatings; the Company entered into an agreement to transfer its portfolio of loans with specialty chemicals companies to Akzo Nobel Chemicals International B.V. with effect from 1 January 2018, for a consideration of €519,028,913

On 3 January 2018, the Company received surplus assets in the amount of USD 206,254,257 generated by the reduction of share capital in its subsidiary, Akzo Nobel Finance (2) Limited.

On 14 February 2018, the Company issued an Irrevocable Notice of Prepayment to Akzo Nobel N.V. confirming its intention to prepay €110,000,000 against the 2A Loan of €475,000,000. On the same date, the directors declared an interim dividend of €200,000,000 to all shareholders on the Register, in the amount of €123.35 per share (2016:Nil).

On 22 February 2018, the Company reduced its share capital by €154,000 and its share premium by €153,846,000 and the surplus assets were returned to its shareholder, Akzo Nobel N.V.