

**Akzo Nobel Aerospace Coatings
Limited**

Annual Report and Financial Statements

Registered number 00938151

For the year ended 31 December 2014

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Strategic Report

The directors present their Strategic Report for the year ended 31 December 2014.

Principal activities

The principal activities of the Company are the distribution and sale of coatings to the aerospace industry.

Business review and results

The directors consider that the Company has traded satisfactorily during the year and expect this to continue through 2015. The profit for the year after taxation amounted to £660,000 (2013: £298,000).

The Company managed to maintain a similar level of revenue despite a downturn in the maintenance and repair sectors, whilst gross margin increased from 53.8% to 57.2%, due to a more favourable exchange rate and a slight reduction in material costs. The local key performance indicator for the company is operating profit, and this increased by £573,000.

Administrative costs were reduced due to lower Group costs, the absence of any claims during the year and a more favourable exchange rate.

The group has close involvement in the management of the Company and uses a range of key performance indicators. These are discussed in the group's annual report and financial statements, which does not form part of this report, and is available from the address in note 18.

The results for the year ended 31 December 2014 are set out on page [5] of the Financial Statements.

Principal Risk and Uncertainties

The Company recognises that the possible risks to its operation are unfavourable exchange rates and its exposure to credit risks, which are managed through reducing the Company's exposure to foreign currency and strict adherence to the Group's credit policy.

By order of the board



R Marston
Director

24 September 2015

Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2014.

Proposed Dividend

An interim dividend of £nil was paid during the year (2013: £2million)

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014.

Directors

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

R Marston
D Vlad
G Windsor (appointed 12/05/2015)
O.H. Director Limited (appointed 12/07/2013; resigned 12/05/2015)

Political contributions

The Company made no political contributions during the current or previous year.

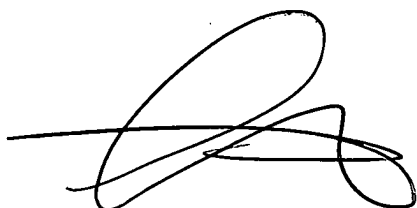
Disclosure of information to auditor

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 they have 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.

Auditors

Pursuant to section 487(2) of the Companies Act 2006, the Company's auditor is deemed to be reappointed and therefore, KPMG LLP will continue in office.

By order of the board



G Windsor
Director

26th Floor
Portland House
Bressenden Place
London
SW1E 5BG

24 September 2015

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, 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).

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 judgments 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.

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 2014 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).

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 2014 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 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	2	9,740	10,201
Cost of sales		(4,171)	(4,707)
Gross profit		5,569	5,494
Distribution costs		(450)	(491)
Administrative expenses		(4,491)	(4,948)
Operating profit		628	55
Other operating income		200	336
Interest receivable and similar income	6	12	8
Profit on ordinary activities before taxation	3-5	840	399
Tax on profit on ordinary activities	7	(180)	(101)
Profit for the financial year	15	660	298

The notes on pages 7 to 15 form part of the financial statements.

All activities derive from continuing operations.

The company had no recognised gains and losses in either year other than those shown above.

Balance sheet
as at 31 December 2014

	<i>Note</i>	2014 £000	£000	2013 £000	£000
Fixed assets					
Tangible assets	9		57		82
Current assets					
Stocks	10	213		318	
Debtors	11	2,741		3,878	
		2,954		4,196	
Creditors: amounts falling due within one year	12	(1,153)		(3,080)	
Net current assets			1,801		1,116
Total assets less current liabilities			1,858		1,198
Provisions for liabilities	13		-		-
Net assets			1,858		1,198
Capital and reserves					
Called up share capital	14		-		-
Share premium account	15		350		350
Profit and loss account	15		1,508		848
Equity shareholders' funds	16		1,858		1,198

The notes on pages 7 to 15 form part of the financial statements.

These financial statements were approved by the board of directors on 24 September 2015 and were signed on its behalf by:



R Marston
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Akzo Nobel Coatings International B.V., the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of this group. The consolidated financial statements of Akzo Nobel Coatings International B.V., within which this Company is included, can be obtained from the address given in note 19.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost net of depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Buildings	-	10 to 15 years
Plant and machinery	-	5 to 10 years
Computer equipment	-	2 to 3 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company participates in group wide pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and, therefore, as required by Financial Reporting Standard 17 'Retirement Benefits', accounts for the schemes as if they were a defined contribution scheme. As a result, amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period (see note 18).

The Company also participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Notes (continued)

1 Accounting policies (continued)

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 by Financial Reporting Standard 19.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Turnover

Turnover represents the amounts (excluding value added tax) derived solely from the Company's principal activity.

2 Analysis of turnover

The geographical analysis of turnover by destination is as follows:

	2014	2013
	£000	£000
United Kingdom	8,552	8,456
Rest of Europe	1,188	1,742
Rest of World	-	3
	<hr/> 9,740 <hr/>	<hr/> 10,201 <hr/>

3 Profit on ordinary activities before taxation is stated after charging:

	2014	2013
	£000	£000
Depreciation and other amounts written off tangible fixed assets:		
Owned	25	33
Hire of land and buildings - operating leases	86	87
Auditor's remuneration:		
Audit of these financial statements	13	13
	<hr/> 124 <hr/>	<hr/> 133 <hr/>

Notes (continued)

4 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	90	45
Company contributions to pension scheme	19	5
	<u> </u>	<u> </u>

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2014	2013
Final salary schemes	1	1
	<u> </u>	<u> </u>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2014	2013
Distribution and sale of paints	23	23
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	887	851
Social security costs	85	79
Pension costs (note 18)	1,125	1,194
	<u> </u>	<u> </u>
	2,097	2,124
	<u> </u>	<u> </u>

Included within pension costs is a top up contribution to the Akzo Nobel (CPS) Pension Scheme of £1,004,000 (2013: £1,082,000) (see note 18).

6 Interest receivable and similar income

	2014 £000	2013 £000
Receivable from group undertakings	12	8
	<u> </u>	<u> </u>

Notes (continued)

7 Taxation

Analysis of charge in the period	2014	2013
	£000	£000
UK corporation tax		
Current tax charge for the year	189	104
Adjustments in respect of prior years	(12)	-
	<hr/>	<hr/>
Total current tax	177	104
Deferred Tax (see note 8)		
Origination/reversal of timing differences	(5)	(7)
Effect of decreased tax rate	8	4
	<hr/>	<hr/>
Total tax charge	180	101
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2013: higher) than the standard rate of corporation tax in the UK 21.5% (2013: 23.25%). The differences are explained below.

	2014	2013
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	840	399
	<hr/>	<hr/>
Current tax at 21.5% (2013: 23.25%)	181	93
Effect of:		
Difference between capital allowances for the year and depreciation	5	7
Expenses not deductible for tax purposes	3	4
Adjustments in respect of prior years	(12)	-
	<hr/>	<hr/>
Total current tax charge (see above)	177	104
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes (continued)

8 Deferred taxation

	2014 £000	2013 £000
Deferred tax asset at the beginning of the year	91	87
(Charge)/Credit for the year	(3)	4
	<u>88</u>	<u>91</u>
Deferred tax asset at the end of the year		

The elements of deferred taxation are as follows:

	2014 £000	2013 £000
Difference between accumulated depreciation and amortisation and capital allowances	88	91
	<u>88</u>	<u>91</u>

9 Tangible fixed assets

	Buildings £000	Plant, machinery and computer equipment £000	Total £000
Cost			
At beginning and end of year	230	391	621
	<u>230</u>	<u>391</u>	<u>621</u>
Accumulated Depreciation			
At beginning of year	230	309	539
Charge for year	-	25	25
	<u>230</u>	<u>334</u>	<u>564</u>
At end of year	230	334	564
	<u>230</u>	<u>334</u>	<u>564</u>
Net book value			
At 31 December 2014	-	57	57
	<u>-</u>	<u>57</u>	<u>57</u>
At 31 December 2013	-	82	82
	<u>-</u>	<u>82</u>	<u>82</u>

Notes (continued)

10 Stocks

	2014 £000	2013 £000
Finished goods and goods for resale	213	318

11 Debtors

	2014 £000	2013 £000
Trade debtors	1,295	1,679
Amounts owed by group undertakings	1,325	2,047
Prepayments and accrued income	33	61
Deferred tax asset (note 8)	88	91
	<u>2,741</u>	<u>3,878</u>

12 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	229	82
Amounts owed to group undertakings	94	1,884
Corporation tax payable	290	491
Other creditors	412	453
Accruals and deferred income	128	170
	<u>1,153</u>	<u>3,080</u>

13 Provisions for liabilities

	2014 £000	2013 £000
At the beginning of the year	-	10
Charged to the profit and loss account in the year	-	128
Utilised	-	(138)
	<u>-</u>	<u>-</u>
At the end of the year	-	-

Notes (continued)

14 Called up share capital

	2014 £	2013 £
<i>Allotted, called up and fully paid</i>		
Equity: 100 (2013: 100) Ordinary shares of £1 each	100	100

15 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	350	848
Profit for the year	-	660
At end of year	350	1,508

16 Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Profit for the financial year	660	298
Dividends paid	-	(2,000)
Net movement in shareholders' funds	660	(1,702)
Opening shareholders' funds	1,198	2,900
Closing shareholders' funds	1,858	1,198

17 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014		2013	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	5	-	-
In the second to fifth years inclusive	-	10	-	-
Over five years	88	-	88	-

Notes *(continued)*

18 Pension Schemes

The Company operates both a defined contribution and a multi-employer defined benefit schemes for its employees.

Akzo Nobel (CPS) Pension Scheme

The Company participates in the Akzo Nobel (CPS) Pension Scheme ("the CPS scheme") providing benefits based on final pensionable pay.

The CPS scheme is a multi-employer scheme in which the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and, as permitted by Financial Reporting Standard 17 "Retirement Benefits", the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme.

Actuarial valuations are carried out every three years by a qualified independent actuary. The latest full actuarial valuation was carried out at 31 March 2012. At this valuation date the market value of the scheme assets was sufficient to cover 87% (31 March 2009: 71%) of the benefits that had accrued to members at that date.

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme. The employer contribution rates applicable during 2014 was 32.8% based upon the 2012 actuarial valuations.

Following the 2012 valuation an updated recovery plan was agreed. Additional contributions totalling £251.4 million were agreed to be paid to the CPS scheme between 2015 and 2018 in addition to the £67.0 million paid in 2014 (2013: £67.0 million). The portion of this additional contribution that was charged to the Company in relation to the 2014 payment was £1,004,000 (2013: £1,082,000). The portion of the additional contribution for the years 2015 to 2018 that will be charged to the Company is as yet unknown.

The CPS scheme is included within the group accounts of the ultimate parent company, Akzo Nobel N.V., and valued under International Accounting Standard 19 "Employee Benefits". At 31 December 2014 the funded status valuation was a surplus of £45 million (2013: £91 million deficit). This valuation is not used to determine the funding requirements under UK pension regulations and therefore has no impact upon the Company. The contribution rate and top up contributions affecting the Company during 2014 are as disclosed above and were set at the 2012 full actuarial valuations.

Akzo Nobel Benefit Builder Retirement Plan

The Company is also a member of the Akzo Nobel Benefit Builder Retirement Plan providing benefits based on contributions made. There were no outstanding or prepaid contributions at the beginning or end of the financial year.

Total Pension Contribution

The total contribution made by the Company during the year to both the defined contribution plan and to the defined benefit plan, including the Company's share of the deficit recovery plan, was £1,124,665 (2013: £1,193,805).

Notes *(continued)*

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

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

The largest group in which the results of the Company are consolidated is that headed by Akzo Nobel N.V., incorporated in the Netherlands. The smallest group in which they are consolidated is that headed by Akzo Nobel Coatings International B.V. The consolidated accounts of Akzo Nobel N.V. are available from Strawinskylaan 2555, 1077 ZZ Amsterdam, The Netherlands.