

International Farvefabrik A/S  
Baldersbuen 31  
2640 Hedehusene

**International Farvefabrik  
A/S**

**Annual report 2015**

The annual report was presented and adopted at the  
Company's annual general meeting on 31<sup>st</sup> May  
2016



Cathrine Evelyn Dahlskog Gustafsson

Chairman

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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of International Farvefabrik A/S for the financial year 1 January – 31 December 2015.

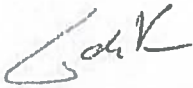
The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report should be approved at the annual general meeting.

31<sup>st</sup> May 2016  
Executive Board:



Gerard de Vries

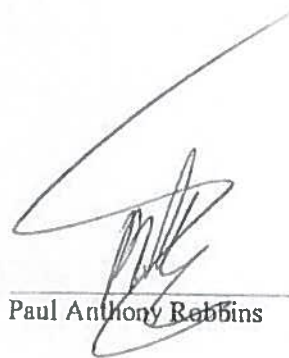
Board of Directors:



Cathrine Evelyn  
Dahlskog Gustafsson  
Chairman



Gerard de Vries



Paul Anthony Robbins

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
2100 København Ø  
Denmark

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## Independent auditor's report

### To the shareholders of International Farvefabrik A/S

#### Independent auditor's report on the financial statements

We have audited the financial statements of International Farvefabrik A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

#### *Opinion*


In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's activities for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

#### Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

31<sup>st</sup> May 2016

KPMG  
Statsautoriseret Revisionspartnerselskab

  
Lau Bent Baun  
State Authorised  
Public Accountant





## Management's review

### Company details

International Farvefabrik A/S  
Baldersbuen 31  
2640 Hedehusene

Telephone: +45 4466 4444  
Website: [www.international-coatings.com](http://www.international-coatings.com)  
CVR no.: 16 97 27 11  
Established: 1914  
Registered office: Hedehusene  
Financial year: 1 January – 31 December

### Board of Directors

Cathrine Evelyn Dahlskog Gustafsson (Chairman)  
Gerard de Vries  
Paul Anthony Robbins

### Executive Board

Gerard de Vries

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Financial statements 1 January – 31 December

### Accounting policies

The annual report of International Farvefabrik A/S for 2015 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### Income statement

#### Revenue

Income from the sale of goods and finished goods, comprising the sale of paint, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

#### Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

#### Other operating costs

Other operating costs comprise items secondary to the activities of the entities, including losses on the disposal of intangible assets and property, plant and equipment.

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## Financial statements 1 January – 31 December

### Accounting policies

#### Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

### Balance sheet

#### Intangible assets

Customer contracts and relationships acquired are measured at cost less accumulated amortisation and impairment losses. Customer contracts and relationships are amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Intangible assets are written down to the recoverable amount if this is lower than the carrying amount.

#### Impairment of non-current assets

The carrying amount of intangible assets is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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## Financial statements 1 January – 31 December

### Accounting policies

#### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Finished goods are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as direct production costs. Indirect production overheads and borrowing costs are not recognised in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

#### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

#### Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.





## Financial statements 1 January – 31 December

### Accounting policies

#### Equity

##### *Dividends*

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

##### *Share-based incentive schemes*

Share-based incentive schemes for the Company's Management and employees with the option to subscribe for shares in the Parent Company (share options) are considered a matter of the relevant shareholders, and the fair value of share options granted is therefore not recognised in the income statement as estimated payroll costs on an ongoing basis.

#### Corporation tax and deferred tax

In accordance with the joint taxation rules, the liability of the companies for payment of corporation taxes to the tax authorities is settled as the joint taxation contributions are paid to the administrative company.

Payable and receivable joint taxation contributions are recognised in the balance sheet.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

#### **Provisions**

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects within the warranty period of 1-5 years. Provisions are measured at net realisable value and recognised on the basis of the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

#### **Liabilities other than provisions**

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

## Financial statements 1 January – 31 December


### Income statement

	Note	2015 DKK'000	2014 DKK'000
<b>Revenue</b>		<b>126,023</b>	<b>126,948</b>
Cost of raw materials and consumables		-99,722	-92,699
Other external costs		-21,412	-20,486
<b>Gross profit</b>		<b>4,889</b>	<b>13,763</b>
Staff costs	1	-5,844	-5,706
Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses		-14	-14
<b>Ordinary operating profit/loss</b>		<b>-968</b>	<b>8,043</b>
Other financial income	2	0	1
Other financial expenses	3	-376	-107
<b>Profit/loss before tax</b>		<b>-1,344</b>	<b>7,937</b>
Tax on profit/loss for the year	4	256	-1,865
<b>Profit/loss for the year</b>		<b>-1,088</b>	<b>6,072</b>
<b>Proposed profit appropriation/distribution of loss</b>			
Proposed dividends for the financial			3,000
Retained earnings		-1,088	3,072
		<b>-1,088</b>	<b>6,072</b>

## Financial statements 1 January – 31 December

### Balance sheet

	Note	2015 DKK'000	2014 DKK'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Customer contracts and relationships		61	74
<b>Total non-current assets</b>		<b>61</b>	<b>74</b>
<b>Current assets</b>			
<b>Inventories</b>			
Finished goods and goods for resale		5,007	3,586
		<b>5,007</b>	<b>3,586</b>
<b>Receivables</b>			
Trade receivables		28,579	30,441
Receivables from group entities		2,491	2,113
Other receivables		408	95
Deferred tax asset		670	414
Prepayments		0	7
		<b>32,147</b>	<b>33,070</b>
<b>Total current assets</b>		<b>37,154</b>	<b>36,656</b>
<b>TOTAL ASSETS</b>		<b>37,215</b>	<b>36,730</b>

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## Financial statements 1 January – 31 December

### Balance sheet

	Note	2015 <u>DKK'000</u>	2014 <u>DKK'000</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,000	4,000
Retained earnings		5,240	6,328
Proposed dividends for the financial year		0	3,000
<b>Total equity</b>	<b>5</b>	<b>9,240</b>	<b>13,328</b>
<b>Provisions</b>			
Other provisions		1,196	1,489
<b>Total provisions</b>		<b>1,196</b>	<b>1,489</b>
<b>Current liabilities other than provisions</b>			
Prepayments received from customers		297	719
Trade payables		1,758	902
Payables to group entities		19,885	13,376
Corporation tax		6	2,285
Other payables		4,832	4,631
		<b>26,782</b>	<b>21,913</b>
<b>Total liabilities other than provisions</b>		<b>26,782</b>	<b>21,913</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,215</b>	<b>36,730</b>
<b>Contractual obligations, contingencies, etc.</b>	<b>6</b>		
<b>Related parties</b>	<b>7</b>		

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## Financial statements 1 January – 31 December

### Notes

	2015	2014
	DKK'000	DKK'000
<b>1 Staff costs</b>		
Wages and salaries	5,161	4,946
Pensions	683	404
Other social security costs	0	356
	<u>5,844</u>	<u>5,706</u>
Average number of employees	<u>7</u>	<u>7</u>
<b>2 Financial income</b>		
Interest income from group entities	0	1
	<u>0</u>	<u>1</u>
<b>3 Other financial expenses</b>		
Interest expense to group entities	29	14
Foreign exchange losses	347	93
	<u>376</u>	<u>107</u>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	0	2,257
Deferred tax for the year	-256	-272
Adjustment of tax concerning previous years	0	-120
	<u>-256</u>	<u>1,865</u>

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## Financial statements 1 January – 31 December

### Notes

#### 5 Equity

	Share capital	Retained earnings	Proposed dividend	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Balance at 1 January 2015	4,000	6,328	3,000	13,328
Distributed dividend	0	0	-3,000	-3,000
Net profit/loss for the year	0	-1,088	0	-1,088
<b>Balance at 31 December 2015</b>	<b>4,000</b>	<b>5,240</b>	<b>0</b>	<b>9,240</b>

The share capital consists of 8,000 shares of a nominal value of DKK 500. No shares carry any special rights.

There have been no changes in share capital during the last 5 years

#### 6 Contractual obligations, contingencies, etc.

##### Contingent liabilities

International Farvefabrik A/S has received claims from some customers. In Management's opinion, apart from the provisions recognised in the balance sheet at 31 December 2015, the outcome of these lawsuits will not affect the Company's financial position.

The company is jointly taxed with the other Danish companies in the Akzo Nobel A/S Group. As a wholly owned subsidiary, the Company is unlimited jointly and severally liable together with the other companies in the jointly taxed group for Danish corporation taxes etc. in the group of jointly taxed companies.

##### Lease obligations

The Company has entered into operating leases at the following amounts:

	2015	2014
	DKK'000	DKK'000
Within 1 year	522	508
Between 1 and 5 years	860	559
	<b>1,382</b>	<b>1,067</b>

## **Financial statements 1 January – 31 December**

### **Notes**

#### **7 Related parties**

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Akzo Nobel 'C' Holding BV, Netherlands

The consolidated annual report 2015 can be requested by contacting the company.