

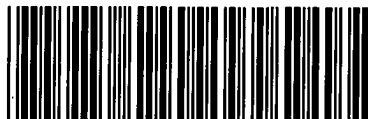
Akzo Nobel Packaging Coatings Limited

**Annual Report and Financial
Statements**

Registered number 059837

For the year ended 31 December 2022

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Strategic Report

The directors present their Strategic Report for the year ended 31 December 2022.

Results for the year

The Company made a profit before taxation of £10,786,000 (2021: Loss £3,686,000) for the year and turnover of £152,250,000 (2021: £132,920,000).

The Company has net assets of £70,388,000 (2021: £61,487,000)

Principal Activities and Business Review

The principal activity of the Company is the manufacture and sale of lacquers, coatings, inks, varnishes and coil coatings for the food and non-food packaging industry and for specialised industrial use. The Company operates three sites: Birmingham, Hull and Deeside.

Current trading

The management of the business and the Company's ability to successfully execute its strategy for growth are subject to several key business risks and uncertainties. These include unexpected legislation over materials of concern, international competition in the market and product availability (i.e. changes or shortages to raw material supply at short notice).

By far the biggest impact on the packaging coatings industry in recent years has been the introduction of unexpected EU legislation against the use of Bisphenol A (BPA), a main building block for epoxy-based coatings.

The Company realised a negative impact of approximately £4m attributable to the trading permissions imposed relating to Russia. With the support of our Export Control team we remain, and will continue to be, in full compliance with the EU and UK sanctions as applicable.

Principal risks and uncertainties

The business is subject to the same inflation trends that are visible globally through the chemicals sector driven by various supply interruptions and in particular Energy costs. The management of pricing is a key risk although robust processes are in place to ensure appropriate recovery of margin through pricing actions. At the time of writing significant Pricing improvements were achieved during 2022 and persisted into 2023 and our intention is to stabilise at these average margins.

Future Developments

The external commercial environment is expected to remain very competitive in the coming year as competitors seek to increase volumes in the mature markets. Significant expenditure on Research and Development will continue as further technologies are developed to provide market leading coating solutions to the Company's customers.

In 2022 H2 the Coil markets in which we operate deteriorated significantly in particular because of energy costs. Most clients in packaging had significant Inventory excesses which continued to depress the demand for newly coated cans, and although this started to improve through 2023 the markets are not fully recovered to H1 2022 run rates.

Strategic Report (continued)

Key performance indicators

The principal key performance indicators affecting the Company are summarised below:

Title	Description	Performance to date
Sales Growth	2022 was expected to be relatively stable with margin maintenance in most of our areas being the primary focus.	During 2022 the Russian invasion of Ukraine impacted our packaging business via sanctions costing approximately 4M GBP in revenue. In the second half of the year the energy crisis substantially impacted the price and therefore market for our customers coil steel products (as steel is heavily energy dependent), this impacted demand for product from August until year end, Raw material inflation also was a feature and we had to work hard to follow that with Pricing actions.
OSHA (Occupational Safety and Health Administration) recordable injuries	2022 TRR (Total Reportable Rate) target \leq 1.62 AkzoNobel EMEA Manufacturing	Actual TRR was 2.26 for 2022 for AkzoNobel EMEA Manufacturing. In Akzo Nobel Packaging Coatings Limited there was one lost time incident reported in 2022. Sites continue to have a focus on driving behavioral safety culture- this is driven by Behavioral Safety Audits – which supports maintaining TRR rates

Strategic Report (continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) DISCLOSURE

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1 and 2 emissions, an appropriate intensity metric, the total energy use of electricity, gas and an energy efficiency action summary taken during the relevant financial year.

	Year to 31 st December 2022	Year to 31 st December 2021
Energy consumption used to calculate emissions (kWh)	11,156,929	11,960,456
Emissions from combustion of gas (Scope 1) tCO ₂ e	1,022	1,082
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	-	-
Emissions from purchased electricity (Scope 2, location-based) tCO ₂ e	1,075	1,285
Emissions from purchased electricity (Scope 2, market-based) tCO ₂ e	-	-
Total gross tCO ₂ e based on above (Location based)	2,097	2,367
Total gross tCO ₂ e based on above (Market based)	1,022	1,082
Intensity ratio (kgCO ₂ e/tonnes of production) (Location based)	28.923	29.035
Intensity ratio (kgCO ₂ e/tonnes of production) (Market based)	14.095	13.273

ENERGY EFFICIENCY ACTION SUMMARY

Year to 31st December 2022 Akzo Nobel Packaging Coatings Limited achieves direct & indirect savings in energy and associated carbon emissions continuously through operational and technological improvements, including the implementation of the energy shutdown plan in one of our sites.

Section 172 Statement

During discussions and decisions made during the year ended 31 December 2022, the directors of Akzo Nobel Packaging Coatings Limited have acted in the way that they consider in good faith and would be most likely to promote the long-term success of the Company for the benefit of its shareholders, whilst having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006.

a) The likely consequence of any decision in the long term

It is the responsibility of the Company's board to make decisions in line with our ambitions and ensure the business is aware of and actively implementing the strategies devised to get and keep us there. The shareholders of our ultimate parent company, Akzo Nobel N.V. are an essential component when considering our operations. The Company values and actively looks to facilitate shareholder involvement through its engagement with our ultimate parent company and the wider group. A range of internal stakeholders are consulted in the pre-board approval process to enable the Directors to have confidence that material transactions presented are of value to the Company. There may be occasions where there are conflicting priorities between the needs and benefits of the Company versus the wider Group and the directors are careful to assess all the risks in their decision-making, aware that not all stakeholder needs can be met.

Strategic Report (continued)

Conflicts of Interest

The board is aware of the ever-present risk of conflicts of interest that may affect their decision-making capabilities and follows the policies and procedures in place to identify and manage conflicts as they arise, which is also embedded in the Company's Articles of Association.

Strategy

The directors take seriously the perennial risk posed by prioritising short-term pressures over longer term strategic priorities and as a Board, considers how to ensure a balance is struck between the need to meet immediate financial objectives and our desire to achieve the kind of organic, long-term, and sustainable growth that we believe is the most secure means to provide value to our shareholders and other stakeholders.

Future of the Board

The Directors understand the business and the evolving environment, including the challenges faced by the business. Based upon the purpose of the Company, to provide more cleaner, environmentally friendly products, the strategy set by the Directors is intended to strengthen the position of being a leading paints and coatings Company in its sector, whilst keeping safety and social responsibility fundamental to the business approach. The directors recognise the long-term success of the company is dependent on the stakeholders and the external impact of the business activities on society.

b) The interests of the Company's employees

We are committed to making our Company a brilliant place to work for our people. Colleagues are a key stakeholder, and our business puts considerable focus and energy on making AkzoNobel a brilliant place to work.

Top Employer

In 2022, AkzoNobel was recognized as a UK Top Employer for the tenth time which underlines the value and strength of our people-focused campaigns, including:

- Thrive, our wellbeing programme
- The Network, a development forum for women in our business
- Proud Parents, our maternity/paternity mentoring programme

Apprenticeship Programme

In 2022 the Company continued with its Apprenticeship Programme designed to develop existing talent. The apprenticeship levy provides the Company with a means to close skills gaps and develop and engage with colleagues.

Examples of some of the apprenticeships we have run are:

- Sales Executive
- Retail Manager
- Senior Leadership
- Customer Service Specialist

The Level 4 Sales Executive Apprenticeship runs over an 18-month period with successful Apprentices gaining a recognised Level 4 qualification. 34 colleagues across the UK group enrolled in the programme in 2022.

Strategic Report (continued)

Women's Inspired Network

The 'Women's Inspired Network' is a collaboration of employees globally across AkzoNobel that provides a platform for primarily women to celebrate their differences and increase their understanding of how personal & professional lives are made richer by embracing diversity. The Network is an enabler to empower, inspire and connect women in support of AkzoNobel's diversity & inclusion ambitions and it widens access to networking for all employees irrespective of gender. The feedback from participants has been excellent, and group speakers have included members of the global AkzoNobel Executive Committee.

Hybrid Working Arrangements

Providing all colleagues with the ability to work flexibly in a professional and respectful manner has been identified as one of the key drivers to addressing the current gender pay gap, as it allows both men and women to continue to develop their career whilst respecting the non-work priorities which they also need to balance. Flexible working awareness and hybrid working arrangements have been introduced where possible, across the Company's business and feedback that, whether driven through a formal or informal approach, the new initiative is viewed positively and aims to allow all colleagues to achieve a more balanced work-life balance without impacting business operations.

Outside of the formal / informal Schemes, local initiatives such as senior management 'leaving loudly' and being open and transparent about working flexibly have also helped to drive a more open environment in which flexible working is viewed as driving benefits for both the Company and our colleagues.

2-Way Engagement

We utilise different mechanisms to foster two-way communication to ensure that we can share information about the Company as well as to listen to the views of our colleagues. We also have a comprehensive wellbeing and engagement programme driven by colleagues and actively supporting inclusivity as well as the mental and physical health of our people. We also participate in the Mind Wellness Index and listen to our colleagues regarding their mental health and to identify areas of development.

Thrive

The Thrive programme covers four important pillars of colleague wellbeing:

1. *Thriving Minds*, addressing mental health topics and preventative campaigns supporting colleagues to build their resilience and maintain or improve their mental health
2. *Thriving Bodies*, encouraging colleagues to stay physically healthy through several campaigns such as Strava-based Active competitions and preventative, awareness raising health campaigns (Movember, Ovarian Cancer Awareness Month)
3. *Thriving Careers*, challenging and empowering colleagues to take ownership of their career growth and personal continuous development
4. *Thriving Communities*, bringing colleagues together in several forums to address diversity and inclusion opportunities within AkzoNobel on important topics such as gender diversity, LGBTQ+ inclusion and racial and ethnic minority challenges

Strategic Report (continued)

Thrive has been designed, launched and embedded within the organisation after analysing and establishing that when colleagues feel supported in the above four key areas, they are more likely to feel engaged and supported at work whilst continuing to have opportunities to develop, feel happy, motivated and connected to the organisation. The aim of Thrive is to educate and empower colleagues by modelling what the possibilities are for a more balanced lifestyle. Looking after colleagues' wellbeing and placing their health and safety centre stage within the organisation isn't only the right thing to do, but it also contributes to the bottom line, ultimately colleagues delivering better on commitments and achieving organisational targets. Through successful delivery of regular, consistent campaigns under each of the above four pillars, the Company aims to address key challenges such as improved retention rates, increased colleague engagement and productivity, reduced absence rates and decreased turnover.

Since Thrive was launched, colleague engagement and overall teams' morale improved significantly across the UK group, however it is difficult to measure the true impact of the programme on absence and turnover rates, due to data being skewed by the pandemic conditions.

Wellfest

Wellfest is the Company's virtual wellbeing festival established in March 2021 and available to all colleagues across the UK and Ireland, connecting our teams and functions. With daily feelgood events and activities, the programme provided 64 awesome sessions hosted virtually by external speakers and subject matter experts within the business in 2022.

Occupational Health

In addition, there are also traditional occupational health tools and resources embedded within the Company, such as Colleague Assistance Programme, Occupational Health Referrals and Mental Health First Aiders support. The Company also supports the learning and career development needs of our colleagues through our performance management process, functional competency diagnostic tools and virtual learning and development programs which are available on demand, 24/7, including via smartphone.

Health and Safety at Work

During the year, the Company pleaded guilty to failing to ensure, so far as was reasonably practicable, the health, safety and welfare at work of employees in contravention with section 33 (1) (a) of the Health and Safety at Work Act 1974. Following a hearing on 3rd April 2023, the Company was fined £600,000. The Company accepted the court's findings and the fine imposed and have cooperated fully with the Health and Safety Executive (HSE). Our actions since the incident demonstrate our commitment to ensuring the safety of our employees, and we will continue to work tirelessly to prevent similar incidents happening in the future.

Strategic Report (continued)

Sharing Information and Speak Up

Part of making our Company a brilliant place to work is also sharing the views and thoughts of the board with our colleagues through our senior management team visiting our manufacturing sites, holding Townhalls or sharing internal communications outlining business strategy. This allows us to provide our colleagues with the information they need and makes them aware of the financial and economic factors impacting our business.

The Company also looks to ensure the voices of our colleagues are heard by allowing them to field questions to senior management during events and, in more serious cases of misconduct, making use of our confidential 'Speak Up' grievance mechanism with its dedicated website and hotline. The Speak Up hotline allows colleagues to raise any concerns they have in respect to breaches of the Group Code of Conduct. The hotline is operated by an independent third party who forward details of the issues raised to our Compliance team to investigate, which depending on the circumstances, may include HR. As an outcome of the investigation, the person making the report will be informed if a Code of Conduct violation has been found to have taken place.

The Company's remuneration policy is designed to support the Company to attract, engage and retain the right people with the right behaviours to drive growth and long-term value creation. In order to support this objective, the design and implementation of our base salary structure is market driven, performance based, affordable, sustainable, clear and transparent. The Company's core philosophy is that pay should be based upon peoples' achievements. As part of the Company's remuneration policy, each year base salaries are reviewed during the Annual Review Cycle. This review is based on individual performance and relative salary position in line with the Company's salary structures.

c) **The need to foster the Company's business relationships with suppliers, customers and others**

The Company continues to work closely with customers, suppliers and other stakeholders to deliver products and solutions that make their businesses more sustainable, while delivering economic value to all parties in the value chain.

The Company's stakeholder relationships are an integral part of the businesses' considerations. The Company acknowledges its responsibility to parent company shareholders and wider stakeholders and communities, and our board considers how our operations might impact others.

For example, as part of AkzoNobel's People. Planet. Paint. initiative the Company has committed to reducing our carbon emissions by 50% by 2030. The Company is also undertaking a Sustainable Product Portfolio Assessment which will rank all of our products according to key sustainability criteria to show where to focus our efforts to build on our reputation as an industry leader in sustainability.

The Company recognises that through dialogue with our stakeholders and employees we can fully understand the effects that the Company's actions might have. Accordingly, the Company prioritises building strong, trusting relationships with our employees, suppliers, customers, and the community operated in.

This requires us to be clear with our suppliers about our expectations. The Company does this by requiring suppliers to sign up to our Business Partner Code of Conduct which outlines our core values and requires compliance with key environmental, social, human rights and governance requirements. The Company also actively involve our suppliers in our efforts to improve through our involvement in the Together for Sustainability program, part of which requires suppliers to perform online assessments and on-site audits in order to meet a minimum sustainability score. Annual re-assessment is required for those who fail to meet the threshold standard.

Strategic Report (continued)

d) The impact of the Company's operations on the community and the environment

The ultimate parent company makes use of eco-premium solutions to track the performance in creating shared value for our business, our customers and society. There is an ambition across the group to maintain at least 20% of revenue from eco-premium solutions by constantly innovating, based on insights into evolving environmental concerns and societal needs. Eco-premium solutions need to exceed the reference in each market in terms of sustainability performance. It is therefore a moving target, as the reference is constantly improving.

e) The desirability of the Company maintaining a reputation for high standards of business conduct

There are a broad range of processes and procedures in place designed to provide control over the Company's operations. These processes and procedures include measures regarding the general control environment, such as:

Our core values

There are certain non-negotiable standards and responsibilities that apply to all our employees under all circumstances. We call these our core values:

Safety – We care about the safety of our colleagues and everyone we deal with, focusing on people, product and process safety

Integrity – We care about conducting our business in a fair and honest way

Sustainability – We care about leaving a healthy planet for future generations, so we always strive to be more sustainable and collaborate on leading solutions.

These values help us to stay successful as a company, today and in the future, by maintaining the balance between people, profit and planet.

- We explain what these mean in practice in the AkzoNobel Code of Conduct, which guides the way we work and how we treat others inside and outside our Company.
- The Business Partner Code – a set of business principles by which we operate and expect our business partner to operate in order to do business with us
- AkzoNobel group directives, policies and authority schedules – which the Company follows as part of its wider governance within the Group
- Risk Management System to ensure we have the right oversight of risks, opportunities and controls in place to operate effectively
- A letter of financial representation signed by director of the Company

(f) The need to act fairly as between members of the Company


The Company's shareholder is another subsidiary within the AkzoNobel Group and its interests are aligned with the ultimate parent company, Akzo Nobel N.V.; a public limited liability company (naamloze vennootschap) established under the laws of the Netherlands, with common shares listed on Euronext Amsterdam.

Strategic Report (continued)

The directors are aware that they owe a duty of care primarily to the Company and its long-term success. However, regard is also given to being part of a wider Group. The directors operate within the Group's corporate governance procedures, UK company law and all other applicable local laws.

The Company's Section 172(1) Statement is also available on the AkzoNobel website at: Corporate governance | AkzoNobel (<https://www.akzonobel.com/en/countries/akzonobel-uk---ireland/corporate-governance>)

On behalf of the board



R. Maccoy
Director

15 November 2023

Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2022.

Directors

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

Mr. G. Brown	(Resigned 31 st March 2022)
Mr. J. Kavanagh	
Mr. P. Love	(Appointed 31 st March 2022, Resigned 30 th June 2023)
Mr. B. H. Matzner	
Mr. M. Smalley	
Mrs. R. Maccoy	(Appointed 7 th August 2023)
Mrs. K. Learman	(Appointed 4 th October 2023)

Dividends

The directors do not recommend the payment of a dividend during the year (2021: £Nil).

Political Contributions

The Company made no political contributions or incurred any political expenditure during the current or prior financial year.

Financial Risk Management

Financial risk includes price risk, credit risk, liquidity risk and cash flow risk. These are addressed and managed at a group level as disclosed in the AkzoNobel Report 2022, pages 134 to 137 and may be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, Netherlands or online at: <https://akzonobel.com/en/investors>

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.

Research and development

The Company continues to place great importance in the area of research and development which the directors believe is essential if it is to retain a competitive position in the market.

Disabled employees

Disabled employees will be given full and fair consideration for vacancies as they occur. Employees who become disabled during their employment will be retrained for suitable alternative employment wherever possible. Training opportunities, career development and promotion prospects for disabled persons are equal to those of all other employees.

Employee involvement

The policy of providing employees with information about the Company will be continued through various media used by the Company to present such information. A Works Council meets on a regular basis which enables employee representatives to discuss business issues with senior management. An annual bonus scheme is in operation which rewards employees and is linked to the performance of the Company.

Directors' Report (continued)

Payment of suppliers

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. Creditor days for the Company at 31 December 2022 were 102 days (2021: 68 days).

Statement of directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and Financial Statements 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, 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.

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

The directors are also 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.

Independent auditors

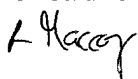
Pursuant to Section 485(3)(c) of the Companies Act 2006, PricewaterhouseCoopers LLP was appointed as the Company's auditors until the next period for appointing auditors.

Directors' confirmations

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.

On behalf of the board



R. Maccoy
Director

The AkzoNobel Building
Wexham Road
Slough
SL2 5DS
15 November 2023

Independent auditors' report to the members of Akzo Nobel Packaging Coatings Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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, including 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 Balance Sheet as at 31 December 2022; the Statement of Comprehensive Income and 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.

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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Independent auditors' report to the members of Akzo Nobel Packaging Coatings Limited (continued)

Reporting on other information (continued)

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.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 Statement of directors' responsibilities in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries or through management bias in the manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including those charged with governance, inquiring specifically as to whether there was any known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Review of legal/professional expenses in the year to identify potential non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journal entries in particular any journal entries posted with unusual account combinations.

Independent auditors' report to the members of Akzo Nobel Packaging Coatings Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

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 obtained 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.



Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
16 November 2023

Statement of Comprehensive Income
for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Turnover	2	152,250	132,920
Cost of sales		(111,697)	(114,064)
		<hr/>	<hr/>
Gross profit		40,553	18,856
Distribution costs		(9,017)	(7,665)
Administrative expenses		(21,868)	(15,722)
Other operating income	3	677	985
		<hr/>	<hr/>
Operating profit/(loss)		10,345	(3,546)
Interest receivable and similar income	4	1,263	377
Interest payable and similar expenses	4	(822)	(517)
		<hr/>	<hr/>
Profit/(loss) before taxation	5	10,786	(3,686)
Tax on profit /(loss)	8	(1,885)	3,253
		<hr/>	<hr/>
Profit/(loss) for the financial year and total comprehensive income		8,901	(433)
		<hr/>	<hr/>

All amounts are derived from continuing operations.

The notes on pages 20 to 36 form a part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2022

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	3,572	58,348	61,920
Total comprehensive income			
Loss for the financial year	-	(433)	(433)
Total comprehensive loss for the year	-	(433)	(433)
Balance at 31 December 2021	3,572	57,915	61,487
Balance at 1 January 2022	3,572	57,915	61,487
Total comprehensive income			
Profit for the financial year	-	8,901	8,901
Total comprehensive income for the year	-	8,901	8,901
Balance at 31 December 2022	3,572	66,816	70,388

The notes on pages 20 to 36 form a part of these financial statements.

Balance Sheet
at 31 December 2022

	Note	2022 £000	2021 £000	£000
Fixed assets				
Intangible assets	9	35,547		36,854
Tangible assets	10	12,849		13,371
		48,396		50,225
Current assets				
Stocks	11	10,897	10,040	
Debtors	12	96,219	105,463	
		107,116	115,503	
Creditors: amounts falling due within one year	13	(84,363)	(103,279)	
Net current assets		22,753		12,224
Total assets less current liabilities		71,149		62,449
Creditors: amounts falling due after more than one year	13	(761)	(962)	
Net assets		70,388		61,487
Capital and reserves				
Called up share capital	15	3,572		3,572
Profit and loss account		66,816		57,915
Total equity		70,388		61,487

The notes on pages 20 to 36 form a part of these financial statements.

These financial statements on pages 17 to 36 were approved by the board of directors on 15 November 2023 and were signed on its behalf by:



B. Matzner
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Akzo Nobel Packaging Coatings Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the UK. The Company's registration number is 59837 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, SL2 5DS.

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 pound sterling.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but make amendments where necessary in order to comply with the Act and take advantage of the FRS 101 disclosure exemption.

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 Christian Neefstraat 2, 1077 WW, Amsterdam, 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, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries and within Akzo group companies;
- 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:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided letter of support stating its intention that it shall continue to provide financial and other support to the Company for a period of at least twelve months from the date of approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade. On this basis the directors, having made appropriate enquiries, consider that the Company has adequate resources, including the existing cash pooling arrangement to continue in operational existence for the foreseeable future, and it is therefore appropriate to adopt the going concern basis in preparation of the financial statements.

1.3 Foreign currency

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

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise 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. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

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.

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.

1.5 Tangible fixed assets

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

- land and buildings 40 years
- plant and equipment 10 - 25 years
- other operating assets 3 - 10 years

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

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generated units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practical to quantify the effect on the financial statements of this departure.

Company law requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot reasonably be quantified other than by reference to an arbitrary assumed period for amortisation.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.9 Turnover

Turnover represents the amounts, excluding VAT, receivable by the Company for goods and services supplied to customers in the ordinary course of business. Turnover is recognised when products have been dispatched or services have been rendered. This does not differ materially from the time the significant risks and rewards of ownership of the goods have been transferred to the customer; the revenue can be measured reliably and collectability is reasonably assured.

Notes (continued)

1 Accounting policies (continued)

1.10 Expenses

Interest receivable and Interest payable - Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.12 Pensions

Defined contribution plans

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

Defined benefit plans

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

Notes (continued)

1 Accounting policies (continued)

1.13 New standards, amendments and IFRS IC interpretations

There are no amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

1.14 Leases

The company assesses whether a contract is, or contains, a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of cars the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the present value of the lease liability. The right-of-use asset value contains lease prepayments, lease incentives received, the initial direct costs and an estimate of restoration, removal and dismantling costs.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term or shorter economic life. In addition, the right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The net present value of the lease liability is measured at the discounted value of the lease payments. The liability includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The lease payments comprise the following:

- Fixed payments (including in substance fixed payments), less any lease incentives
- Variable lease payments that depend on an index or a rate
- The exercise price of a purchase option if it is reasonably certain that the option will be exercised
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and
- Amounts expected to be payable under residual value guarantees.

These lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used. Incremental borrowing rates are determined by obtaining interest rates from various external financing sources and make certain adjustments to reflect the term of the lease and type of the asset leased.

At the lease commencement dates, it is assessed whether it is reasonably certain to exercise the extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within the company's control.

Notes (continued)

1 Accounting policies (continued)

1.15 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.

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) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) Inventory provisioning

The Company is subject to changing customer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

(c) 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.

(d) 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.

There are no critical judgements in applying the entity's accounting policies.

Notes (continued)

2 Turnover

Geographical analysis of turnover (on a destination basis) is as follows:

	2022 £000	2021 £000
United Kingdom	52,979	46,794
Europe	80,112	69,101
Middle East	10,714	9,907
America	1,418	2,028
Asia, Australasia and Africa	7,027	5,090
	<u>152,250</u>	<u>132,920</u>

3 Other operating income

	2022 £000	2021 £000
Royalty income	677	328
Group Recharges	-	657
	<u>677</u>	<u>985</u>

4 Interest

Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable from group undertakings	1,263	377
	<u>1,263</u>	<u>377</u>

Interest payable and similar expenses

	2022 £000	2021 £000
Interest payable to group undertakings	(772)	(404)
Lease Interest	(20)	(25)
Other	(30)	(88)
	<u>(822)</u>	<u>(517)</u>

Notes (continued)

5 Profit/(loss) before taxation

	2022 £000	2021 £000
<i>Profit/(loss) before taxation is stated after charging</i>		
Depreciation – owned tangible assets	1,984	2,335
Depreciation – right-of-use-assets	253	308
Intangibles amortisation	1,307	1,305
Other	143	91
Research and development expenditure	4,182	3,926
	<u> </u>	<u> </u>
<i>Auditors' remuneration:</i>		
Audit of these financial statements pursuant to legislation	56	67
	<u> </u>	<u> </u>

Amounts receivable by the Company's auditors in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent.

6 Remuneration of directors

	2022 £000	2021 £000
Director's emoluments in respect of qualifying services	372	345
Company contributions to defined benefit pension schemes	63	49
Company contributions to defined contribution pension schemes	27	27
	<u> </u>	<u> </u>

	Number of directors	
	2022	2021
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	1
Defined contribution schemes	1	1
	<u> </u>	<u> </u>

Remuneration of highest paid director

	2022 £000	2021 £000
Director's emoluments in respect of qualifying services	228	201
Company contributions to defined benefit pension schemes	63	49
	<u> </u>	<u> </u>

Notes (continued)

7 Staff numbers and costs

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

	Number of employees	
	2022	2021
Office and management	41	41
Research and development	48	44
Production	106	99
	<hr/>	<hr/>
	195	184
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	8,530	8,469
Social security costs	891	860
Other pension costs	1,298	1,358
	<hr/>	<hr/>
	10,719	10,687
	<hr/>	<hr/>

8 Tax on profit/(loss)

The tax charge consists of the following:

	2022	2021
	£000	£000
<i>UK corporation tax</i>		
Current tax on income	2,323	(174)
Adjustment in respect of prior periods	-	(1,634)
	<hr/>	<hr/>
Total current tax	2,323	(1,808)
<i>Deferred tax (see note 14)</i>		
Current year	(438)	(1,194)
Effects of changes in tax rate	-	(251)
	<hr/>	<hr/>
Tax on profit /(loss)	1,885	(3,253)
	<hr/>	<hr/>

Notes (continued)

8 Tax on profit/(loss) (continued)

	2022	2021
	£000	£000
<i>Current tax reconciliation</i>		
Profit/(loss) for financial year	8,901	(433)
Tax charge/(credit) on profit	1,885	(3,253)
	<hr/>	<hr/>
Profit/(loss) before taxation	10,786	(3,686)
	<hr/>	<hr/>
Tax on profit/(loss) before taxation at 19.00% (2021: 19.00%)	2,049	(700)
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes (includes super deduction for capital allowances)	(5)	60
UK to UK transfer pricing adjustment	(19)	(118)
Tax rate changes	(105)	(610)
Deferred Tax on timing differences not provided	(35)	(251)
Adjustment in respect of prior periods	-	(1,634)
	<hr/>	<hr/>
Total tax charge/(credit) (see above)	1,885	(3,253)
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and - reflected in these financial statements.

Notes (continued)

9 Intangible assets

	Goodwill £000	Concessions, patents, licences, trademarks and similar rights and assets £000	Total £000
Cost			
At beginning of year	21,370	22,705	44,075
At end of year	21,370	22,705	44,075
Accumulated amortisation and impairment			
At beginning of year	-	7,221	7,221
Charge for the year	-	1,307	1,307
At end of year	-	8,528	8,528
Net book value			
At 31 December 2022	21,370	14,177	35,547
At 31 December 2021	21,370	15,484	36,854

Amortisation of £1,307,000 (2021: £ 1,305,000) is included in the statement of comprehensive income in administrative expenses.

Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Company's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill 2022 £'000	Goodwill 2021 £'000
Deeside Coatings	21,370	21,370

The recoverable amount of Deeside Coatings has been calculated with reference to its value in use.

The key assumptions of this calculation are shown below:

	2022	2021
Period on which management approved forecasts are based	5	5
Growth rate applied beyond approved forecast period	0%	0%
Weighted Average Cost of Capital	11.0%	6.2%

The growth rates used in value in use calculation reflect a prudent reflection on the current performance of the business.

In calculating this value, management have used the following assumptions: discount rate is based on the current market risks specific to this particular market using the pre-tax weighted average cost of capital; terminal growth rate reflects the expected growth of this unit in a steady state.

The directors consider that there are no reasonably possible changes in assumptions that would result in impairment during the year

Notes (continued)

10 Tangible assets

	Land and buildings	Plant and machinery	Other operating assets	Total
	£000	£000	£000	£000
Cost				
At beginning of year	7,811	36,984	4,486	49,281
Additions	187	1,528	-	1,715
Disposals	-	(206)	-	(206)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	7,998	38,306	4,486	50,790
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Depreciation				
At beginning of year	4,176	27,250	4,484	35,910
Charge for the year	433	1,804	-	2,237
Disposals	-	(206)	-	(206)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	4,609	28,848	4,484	37,941
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2022	3,389	9,458	2	12,849
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	3,635	9,734	2	13,371
	<hr/>	<hr/>	<hr/>	<hr/>

Included in plant and machinery above is £1,934,517 (2021: £2,102,739) in respect of assets under construction which have not been depreciated. Included in the freehold land and buildings is £15,903 (2021: £19,039) in respect of asset under construction which is not depreciated.

Also Included in the above line items are right of use assets as follows:

	2022 £'000	2021 £'000
Right-of-use-assets		
Buildings	947	1,147
Equipment	2	56
	<hr/>	<hr/>
	949	1,203
	<hr/>	<hr/>

Notes (continued)

11 Stocks

	2022 £000	2021 £000
Raw materials and consumables	5,461	4,838
Work in progress	766	1,025
Finished goods	4,670	4,177
	<u>10,897</u>	<u>10,040</u>

The cost of inventories recognised as an expense and included in cost of sales amount to £102,572,432 (2021: £42,908,459). The write down of stock to net realisable value amounted to £ 1,263,500 (2021: £(901,899)).

12 Debtors

	2022 £000	2021 £000
Debtors: amounts falling due within one year:		
Trade debtors	29,264	34,745
Amounts owed by parent undertaking and fellow subsidiary undertakings	62,188	65,595
Other debtors	1,790	2,081
Corporation tax	-	173
Other creditors	-	330
Deferred tax (see note 14)	2,977	2,539
	<u>96,219</u>	<u>105,463</u>

Amounts owed by group undertakings included an intercompany loan of £25,000,000 (2021: £50,048,608) plus unpaid interest of £392,055. Interest is charged at a rate of 5.3% (2021:0.39%). The loan matures on 15 September 2025. Amounts owed by group undertakings included £17,216,104 (2021: £3,776,657) in respect of the Company's share of the cash pooling arrangements (note 16). The remainder of Amounts owed by group undertakings are repayable on demand.

13 Creditors

	2022 £000	2021 £000
Creditors: amounts falling due within one year:		
Trade creditors	22,360	22,141
Amounts owed to group undertakings	57,114	78,375
Corporation tax	2,149	-
Other creditors	168	-
Accruals and other liabilities	2,371	2,517
Leases liabilities (note 17)	201	246
	<u>84,363</u>	<u>103,279</u>

Notes (continued)

Creditors: amounts falling due after more than one year:

Amounts owed to group undertakings

Leases

	2022	2021
	£'000	£'000
	761	962
	<u>85,124</u>	<u>104,241</u>

Lease liabilities are payable as follows:

	2022	2021
	£'000	£'000
Within 1 Year	201	246
Between two and five years	761	962
	<u>201</u>	<u>246</u>
	<u>761</u>	<u>962</u>

Amounts owed to group undertakings due within one year include an intercompany loan of £ nil (2021: £25,000,000) plus unpaid interest of £ nil (2021: £291,000).

Remaining amounts owed to group undertakings due within one year are repayable on demand.

14 Deferred tax

	2022	2021
	£000	£000
At beginning of year	2,539	1,094
Credited to the profit and loss account	438	1,445
	<u>2,977</u>	<u>2,539</u>
At end of year	2,977	2,539

The amounts for deferred taxation are set out below:

	2022	2021
	£000	£000
Capital allowances	2,977	2,539
Deferred tax asset	<u>2,977</u>	<u>2,539</u>

Deferred tax assets are recognised to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised.

Notes (continued)

15 Called up share capital

	2022 £000	2021 £000
<i>Allotted, called up and fully paid:</i>		
7,143,820 (2021: 7,143,820) ordinary shares of 25p each	1,786	1,786
7,143,820 (2021: 7,143,820) deferred shares of 25p each	1,786	1,786
	<u>3,572</u>	<u>3,572</u>

As regards voting:

The deferred shares shall carry no rights to receive notice of or to attend or vote at any general meeting of the Company.

16 Contingencies and commitments

	2022 £000	2021 £000
Amounts contracted for but not provided for in the financial statements	741	1,054

These amounts relate to capital improvement projects that have commenced during the year but have not yet completed. The capital items are capitalised once work is completed.

The Company participates in a cash pooling arrangement with certain other group companies. This arrangement allows the Company to draw upon or credit amounts to a separately designated facility within a cash pool account in the name of Akzo Nobel N.V. The Company operates the facility as if it were the Company's own bank account, however; the Company has no legal title.

Accordingly, the amounts have therefore been included within amounts owed by group undertakings rather than cash at bank. All parties to the arrangement are jointly and severally liable to the bank for any overdraft thereon.

17 Leases

Amounts recognised in the balance sheet. The balance sheet shows the following amount related to leases:

	2022 £000	2021 £000
Right of Use Assets		
Buildings	947	1,147
Equipment	2	56
	<u>949</u>	<u>1,203</u>

Akzo Nobel Packaging Coatings Limited leases office space. Additions to the right-of-use assets during 2022 financial year were £nil.

Notes (continued)

Lease Liabilities

	2022 £000	2021 £000
Current (note 13)	201	246
Non-current (note 13)	761	962
	<u>962</u>	<u>1,208</u>

Expenses recognized in profit and loss

	2022 £000	2021 £000
Depreciation	253	308
Interest on lease liabilities	20	25
	<u>273</u>	<u>333</u>

18 Pension schemes

Defined benefit plans

The Company is a participant in two group wide defined benefit schemes – Akzo Nobel (CPS) Pension Scheme (“CPS”) and ICI Pension Fund (“the ICI PF”). As the legal sponsoring entity for these schemes, the financial statements of Akzo Nobel UK Ltd and Imperial Chemical Industries Limited respectively identify and disclose the information in the plans as prescribed by IAS19 and these financial statements are available from the Company’s registered office at The AkzoNobel Building, Wexham Road, Slough, SL2 5DS or from Companies House. The contributions payable in respect of active members by the participating entities are determined following each triennial valuation conducted by a qualified independent actuary and charged as a percentage of salary costs. The charge recognised by active members in 2022 was £182,724 (2021: £282,542). In 2014 and previous years, the contributions payable in respect of any funding deficit was charged to non sponsoring entities based on a historical analysis of liabilities related to businesses that historically operated within that legal entity. From 2015, the group wide policy has been updated and funding deficits are not charged to sponsoring entities.

Defined contribution plans

The Company also operates a defined contribution pension plan. The total expense relating to this plan in 2022 was £1,115,634 (2021: £1,075,709).

Notes *(continued)*

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

The Company is a wholly owned subsidiary of Dulux Limited, which is the immediate parent company, a company incorporated in England and Wales. The ultimate controlling party is Akzo Nobel N.V.

The only group in which the results of the Company are consolidated is that headed by Akzo Nobel N.V., the ultimate parent company, incorporated in the Netherlands. Copies of the Akzo Nobel N.V. Annual Report and Accounts are available to the public and may be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, Netherlands.

20 Post Balance Sheet Event.

During the year, the Company pleaded guilty to failing to ensure, so far as was reasonably practicable, the health, safety and welfare at work of employees in contravention with section 33 (1) (a) of the Health and Safety at Work Act 1974. Following a hearing on 3rd April 2023, the Company was fined £600,000. The Company accepted the court's findings and the fine imposed and have cooperated fully with the Health and Safety Executive (HSE). Our actions since the incident demonstrate our commitment to ensuring the safety of our employees, and we will continue to work tirelessly to prevent similar incidents happening in the future. The Company has already recognised a provision in respect of this matter in the financial statements.