

Akzo Nobel Coatings (BLD) Limited

Annual Report and Financial Statements

Registered number 04999211

31 December 2022

FRIDAY



ACWZBT1L

A4

16/02/2024

#194

COMPANIES HOUSE

Contents

	Page(s)
Strategic Report	1
Directors' Report	2-3
Independent auditor's report to the members of Akzo Nobel Coatings (BLD) Limited	4-7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11-19

Strategic Report

for the year ended 31 December 2022

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

Principal Activities

The Company acts as an investment holding company owning shares in several trading companies within the UK part of the AkzoNobel Group.

Business Review

The Company made a loss of £8,910,000 for the financial year (2021: profit of £6,330,000) and has net assets of £491,102,000 as at 31 December 2022 (2021: £500,012,000).

Having given consideration to the long-term interests of the Company and its subsidiaries, the directors noted that International Paint Limited was a strong business but with a negative balance sheet due to recent commercial losses arising. Therefore, to support the long-term sustainability of that investment, the Company issued a Letter of Allotment to International Paint Limited on 30th November 2022, requesting the issue of 200,000,000 ordinary shares of 25p each for a consideration of £50,000,000 using funds received from intra-group borrowing.

Indirect Subsidiary Activities

On 27 April 2022, the Company's indirect subsidiary, Akzo Nobel Properties Limited was placed into Members' Voluntary Liquidation and was dissolved on 17 March 2023.

Key Performance Indicators

As the Company is an investment holding company and not a trading business, key performance indicators are not a relevant benchmark for the Company's performance during the year.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to minimal risks. The key business risks, both external and internal, are fully discussed in the context of the Akzo Nobel N.V. group as a whole, on pages 77 to 80 of the group's annual report which does not form part of this report. The report can be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, Netherlands or online at: <https://akzonobel.com/en/investors>.

On behalf of the Board



S.B. Ray
Director

The AkzoNobel Building
Wexham Road
Slough
United Kingdom
SL2 5DS

14 February 2024

Directors' Report

for the year ended 31 December 2022

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

Principal Activities

The Company acts as an investment holding company owning shares in several trading companies within AkzoNobel's UK Group.

Dividends

The directors did not pay an interim dividend during the year (2021: £nil), nor do the directors recommend the payment of a final dividend (2021: £nil).

Going Concern

The directors have assessed the cash flow requirements for at least twelve months from date of approval of the financial statements which show that the company can pay its liabilities as they fall due. All liabilities relate to group relief and an intercompany balance. There are no external liabilities.

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided a letter of support stating its intention that it shall continue to provide financial and other support to the Company for the foreseeable future for a period of at least twelve months from the date of approval of these financial statements to enable it to continue its activities. 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 do not consider there to be any material uncertainty relating to the Company's ability to continue as a going concern. It is therefore appropriate to adopt the going concern basis in preparation of the financial statements.

Post Balance Sheet Events

On 15 September 2023, the outstanding intra-group loan payable was repaid in full plus interest in the amount of £64,196,400. On the same date, the Company entered a new loan arrangement to receive intra-group funding in the amount of £65,000,000. The loan is due to mature on 15 September 2024.

Directors

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

M. Smalley

S.B. Ray

Political Contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the current or prior 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.

Future Developments

The directors are of the opinion that the Company is able to continue its principal activities during 2023.

Directors' Report *(continued)*
for the year ended 31 December 2022

Statement of directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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



S.B. Ray
Director

The AkzoNobel Building
Wexham Road
Slough
SL2 5D\$
United Kingdom

14 February 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL COATINGS (BLD) LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Akzo Nobel Coatings (BLD) Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL COATINGS (BLD) LIMITED *(continued)*

Other information *(continued)*

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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 and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL COATINGS (BLD) LIMITED *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

Extent to which the audit was capable of detecting irregularities, including fraud

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the UK Companies Act, United Kingdom Accounting Standards, including Financial Reporting Standard 101, and relevant tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and employment law.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Involvement of tax specialists in the audit.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls specifically in relation to the financial data and inappropriate use of estimates.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, by testing the recoverability of amounts due from group undertakings and the recoverability of investments.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL COATINGS (BLD) LIMITED *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



830D42742D084D0...

Hezelina Hashim (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading, UK

14 February 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income
for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Administrative expenses	4	-	-
Amounts written off investment	9	(16,500)	-
Operating result		(16,500)	-
Interest receivable and similar income	6	10,315	9,933
Interest payable and similar expenses	7	(945)	-
(Loss)/profit before taxation		(7,130)	9,933
Tax on (loss)/profit	8	(1,780)	(3,603)
(Loss)/profit for the financial year		(8,910)	6,330
Total comprehensive (loss)/income for the year		(8,910)	6,330

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

The notes on pages 11 to 19 are an integral part of these financial statements.

Balance Sheet
as at 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Fixed assets			
Investments	9	33,500	-
		<u>33,500</u>	<u>-</u>
Current assets			
Debtors (including £516,354 (2021: £506,327) due after more than one year)	10	523,215	512,899
		<u>523,215</u>	<u>512,899</u>
Creditors: amounts falling due within one year	11	(65,613)	(12,887)
Net current assets		<u>457,602</u>	<u>500,012</u>
Total assets less current liabilities		<u>491,102</u>	<u>500,012</u>
Net assets		<u>491,102</u>	<u>500,012</u>
Capital and reserves			
Called up share capital	13	600,000	600,000
Accumulated losses		(108,898)	(99,988)
Total shareholders' funds		<u>491,102</u>	<u>500,012</u>

The notes on pages 11 to 19 are an integral part of these financial statements.

These financial statements on pages 8 to 19 were approved by the board of directors on 14 February 2024 and were signed on its behalf by:



M. Smalley
Director

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

	Called up share capital £000	Accumulated losses £000	Total shareholders' funds £000
Balance at 1 January 2021	600,000	(106,318)	493,682
Profit for the financial year	-	6,330	6,330
Total comprehensive income for the year	-	6,330	6,330
Balance at 31 December 2021	600,000	(99,988)	500,012

	Called up share capital £000	Accumulated losses £000	Total shareholders' funds £000
Balance at 1 January 2022	600,000	(99,988)	500,012
Loss for the financial year	-	(8,910)	(8,910)
Total comprehensive loss for the year	-	(8,910)	(8,910)
Balance at 31 December 2022	600,000	(108,898)	491,102

The notes on pages 11 to 19 are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2022

1 General information

Akzo Nobel Coatings (BLD) Limited (the "Company") is a private company limited by shares and domiciled in England. The Company registration number is 04999211 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.

2 Accounting policies

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

2.1 Basis of preparation

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted International Financial Reporting Standards and in accordance with Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 Neefestraat 2, 1077 WW, Amsterdam, Netherlands or online at: <https://akzonobel.com/en/investors>.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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

As the consolidated financial statements of Akzo Nobel N.V. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

Notes to the Financial Statements *(continued)*
for the year ended 31 December 2022

2 Accounting policies *(continued)*

2.2 Going concern

The directors have assessed the cash flow requirements for at least twelve months from date of approval of the financial statements which show that the company can pay its liabilities as they fall due. All liabilities relate to group relief and an intercompany balance. There are no external liabilities. Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided a letter of support stating its intention that it shall continue to provide financial and other support to the Company for the foreseeable future for a period of at least twelve months from the date of approval of these financial statements 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 do not consider there to be any material uncertainty relating to the Company's ability to continue as a going concern. It is therefore appropriate to adopt the going concern basis in preparation of the financial statements.

2.3 New standards, amendments and IFRIC interpretations

The following amendments are effective for the period beginning 1 January 2022:

- Onerous contracts – Costs of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

None of these amendments had any impact on the company.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

2.5 Investments in subsidiaries and associated undertakings

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

Notes to the Financial Statements *(continued)*
for the year ended 31 December 2022

2 Accounting policies *(continued)*

2.6 Debtors

Amounts receivable are amounts due from group companies for services performed in the ordinary course of business but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

2.7 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or group companies.

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

2.8 Borrowings

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

2.9 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

2.10 Current and deferred tax

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

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

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

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

Notes to the Financial Statements (continued) **for the year ended 31 December 2022**

2.10 Current and deferred tax (continued)

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

2.11 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.12 Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's ordinary shares are classified as equity instruments.

3 Critical accounting estimates and judgements

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

3.1 Critical accounting estimates and assumptions

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

(a) Impairment of investments

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, or annually for goodwill. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

(b) Impairment of debtors

The Company makes an estimate of the recoverable value of amounts receivable from group undertakings. When assessing impairment of amounts receivable, management considers factors including a forward-looking position of the borrower's financial position and group level discussion on the loan portfolio.

4 Administrative expenses

There is no charge for the remuneration of auditor's in the financial statements of the Company as the auditors' fee of £15,000 (2021: £6,800) in relation to the audit of this Company was borne by another group company and is not recharged. There are no employees on the payroll of the Company.

5 Remuneration of directors

The directors received no remuneration for their services to the Company in either year as their services to the Company were incidental to their services to the group. The present directors are employed by, and receive remuneration for services from, a wholly owned subsidiary of the ultimate parent company.

Notes to the Financial Statements (continued)
for the year ended 31 December 2022

6 Interest receivable and similar income

	2022	2021
	£000	£000
Interest receivable from group undertakings	10,315	9,933

7 Interest payable and similar expenses

	2022	2021
	£000	£000
Interest payable to group undertakings	(945)	-

8 Tax on profit

Recognised in the statement of comprehensive income

<i>Analysis of charge in year</i>	2022	2021
	£000	£000
<i>UK corporation tax</i>		
Current tax on results for the year	1,780	1,887
Adjustments in respect of prior periods	-	1,744
Total current tax	1,780	3,631
<i>Deferred tax (note 12)</i>		
Origination and reversal of temporary differences	-	(28)
Total tax expense	1,780	3,603

Reconciliation of effective tax rate

	2022	2021
	£000	£000
(Loss)/profit before taxation	(7,130)	9,933
Tax using the UK corporation tax rate of 19.00% (2021: 19.00%)	(1,355)	1,887
Amount disallowable for corporation tax	3,135	-
Adjustments to tax charge in respect of prior years	-	1,744
Increase in tax rate on deferred tax balance 19% to 25%	-	(28)
Total tax expense	1,780	3,603

Factors that may affect future current and total tax charges

In the Budget Statement of March 2021, a further change to the corporation rate tax was announced, increasing the corporation tax rate from 19% to 25%, effective 1 April 2023.

In subsequent Budget Statements of October 2021, September, October and November 2022 and March 2023, the corporation tax rate has not been amended. Although the so-called mini-Budget reversed the planned increase of corporation tax from 19% to 25%, this mini-Budget was itself subsequently reversed, meaning that the planned increase in the corporation tax rate, from 19% to 25%, with effect from 1 April 2023, will proceed. This rate of corporation tax has already been substantively enacted at the balance sheet date and is therefore reflected in these financial statements.

As a result of the above, the effective current tax rate applicable for 2021 and 2022 is 19%. The rate applied to deferred tax balances is 25% as at 31 December 2021 and 31 December 2022, being the rates at which deferred tax is expected to crystallise based on the substantively enacted tax rates applicable at the relevant balance sheet dates.

Notes to the Financial Statements (continued)
for the year ended 31 December 2022

9 Investments

	Shares in group undertakings £000
Cost	
At beginning of year	147,335
Additional investment	50,000
At end of year	197,335
Provisions	
At beginning of year	147,335
Impairment of investment	16,500
At end of year	163,835
Net book value	
At 31 December 2022	33,500
At 31 December 2021	-

Note 16 sets out the list of companies, in which the Company has an interest of more than 20% as at 31 December 2022.

Having given consideration to the long-term interests of the Company and its subsidiaries, the directors noted that International Paint Limited was a strong business affected by recent commercial losses. Therefore, to support the long-term sustainability of that investment, the Company issued a Letter of Allotment to International Paint Limited on 30th November 2022, requesting the issue of 200,000,000 ordinary shares of 25p each for a consideration of £50,000,000 using funds received from intra-group borrowing.

Following the investment in International Paint Limited, an impairment test was carried out and as a result, the amount invested by the Company may not be fully recoverable within twelve months. Therefore, the investment was impaired down to the recoverable amount of £33,500,000.

10 Debtors

	2022 £000	2021 £000
Amounts owed by group undertakings	523,113	512,797
Deferred tax asset (see note 12)	102	102
	523,215	512,899
Due within one year	6,861	6,572
Due after more than one year	516,354	506,327
	523,215	512,899

Amounts owed by group undertakings include an intercompany loan balance of £521,856,000 (2021: £511,712,000). The loan matures on 15 June 2025. Interest is fixed at 1.98%.

Amounts owed by group undertakings include a balance of £1,256,975 (2021: £1,085,532) that is repayable on demand. Interest is charged monthly based on 1 month SONIA plus a spread of -10/+15 basis points.

Notes to the Financial Statements *(continued)*
for the year ended 31 December 2022

11 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Amounts owed to group undertakings	61,946	11,000
Group relief payable	3,667	1,887
	<u>65,613</u>	<u>12,887</u>

Amounts owed to group undertakings include an intercompany loan balance of £61,946,000 (2021: £11,000,000), maturing on the 15 September 2023. Interest is fixed at 5.24%.

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

12 Deferred tax asset

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2022 £000	2021 £000
Unclaimed capital allowances	102	102
	<u>102</u>	<u>102</u>

Movement in deferred tax during the year

	1 January 2022 £000	Recognised in income £000	31 December 2022 £000
Unclaimed capital allowances	102	-	102
	<u>102</u>	<u>-</u>	<u>102</u>

Movement in deferred tax during the prior year

	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Unclaimed capital allowances	74	28	102
	<u>74</u>	<u>28</u>	<u>102</u>

Deferred tax assets are recognised on the basis that they may be surrendered to another group company as group relief.

Notes to the Financial Statements (continued)
for the year ended 31 December 2022

13 Called up share capital

	2022 £000	2021 £000
<i>Allotted, called up and fully paid</i>		
600,000,000 (2020: 600,000,000) Ordinary shares of £1 each	600,000	600,000

All share capital is classified as shareholders' funds. There has been no movement in the number of shares in the current year.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Called up share capital	Nominal value of share capital subscribed for.
Accumulated losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

15 Contingent liabilities

The Company has guaranteed a rental obligation of its 100% owned subsidiary, Akzo Nobel Coatings Limited for the 10-year period April 2015 to April 2025. The annual guaranteed obligation is £86,716 per annum.

The Company has also guaranteed a rental obligation of its 100% owned subsidiary, Akzo Nobel Powder Coatings for a 5-year period from February 2022 to February 2027. The annual guaranteed obligation is £41,600 per annum (excluding VAT).

There was no call upon the Company relating to either obligation during 2022 (2021: £nil).

16 Investment in related undertakings

The companies in which the Company's interests at the balance sheet date is more than 20% are as follows:

	Country of Incorporation	Class of shares held	Ownership	
			2022	2021
Akzo Nobel Coatings Limited	England and Wales	Ordinary	100%	100%
Akzo Nobel Decorative Coatings Limited	England and Wales	Ordinary	100%	100%
Akzo Nobel Industrial Coatings Limited	England and Wales	Ordinary	100%	100%
Akzo Nobel Powder Coatings Limited	England and Wales	Ordinary	100%	100%
Akzo Nobel Properties Limited *	England and Wales	Ordinary	100%	100%
Akzo Nobel Saudi Arabia Limited *	Saudi Arabia	Issued Shares	60%	60%
Compania Mexicana de Pinturas International SA de CV *	Mexico	Fixed capital stock	100%	100%
		Variable capital stock	100%	100%
Flexcrete Technologies Limited *	England and Wales	Ordinary	100%	100%
International Paint Limited	England and Wales	Ordinary	100%	100%
International Paints (Holdings) Limited *	England and Wales	Ordinary	100%	100%

Notes to the Financial Statements (continued)
for the year ended 31 December 2022

Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee	Registration number	Public or private
Akzo Nobel Coatings Limited	The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.	Shares	03124411	Private
Akzo Nobel Decorative Coatings Limited	The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.	Shares	00139914	Private
Akzo Nobel Industrial Coatings Limited	The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.	Shares	02648158	Private
Akzo Nobel Powder Coatings Limited	The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.	Shares	01725413	Private
Akzo Nobel Properties Limited *	156 Great Charles Street, Queensway, Birmingham, B3 3HN, United Kingdom.	Shares	00062178	Private
Akzo Nobel Saudi Arabia Limited *	PO Box 37, Dammam, 31411, Saudi Arabia.	Shares	2050012934	Private
Compania Mexicana de Pinturas Internacional SA de CV *	Parque Industrial Exportec IIS/N Ernesto Monroy s/n Toluca, 50200, Mexico.	Shares	MPI 360713NB5	Private
Flexcrete Technologies Limited *	The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.	Shares	05401028	Private
International Paint Limited	The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.	Shares	00063604	Private
International Paints (Holdings) Limited *	The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.	Shares	00099474	Private

* Indirectly owned subsidiaries.

On 20th May 2022, Compania Mexicana de Pinturas S.A. de C.V. was merged into Akzo Nobel Performance Coatings S.A. de C.V. International Paints (Holdings) Limited holds 3.44% of the surviving company and International Paint Limited holds 0.001%.

17 Ultimate parent company and parent undertaking of largest group of which the Company is a member

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

The only group in which the results of the Company are consolidated is that headed by the ultimate parent company, Akzo Nobel N.V.

Copies of the Akzo Nobel N.V. Annual Report and Financial Statements are available to the public and may be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, The Netherlands.

18 Post balance sheet events

On 15 September 2023, the outstanding intra-group loan payable was repaid in full plus interest in the amount of £64,196,400. On the same date, the Company entered a new loan arrangement to receive intra-group funding in the amount of £65,000,000. The loan is due to mature on 15 September 2024.