

Akzo Nobel Finance (2) Limited

Annual Report and Financial Statements

31 December 2021

Registered number 09889324

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Contents

	Page(s)
Directors' Report	1-3
Independent auditors' report to the members of Akzo Nobel Finance (2) Limited	4-7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the financial statements	11-19

Directors' Report

for the year ended 31 December 2021

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2021.

Principal Activities

The Company's principal activity was to provide financing to its immediate parent entity. This activity ceased on 11 December 2019, when the Company released the full loan and principal interest due on the loan of €639,686,041 with the Company's parent, Akzo Nobel Finance Limited. The Company now operates as a going concern. It is anticipated that the Company will be put forward as a candidate for voluntary liquidation in the future, however, the Directors have not reached any final decisions over liquidating the company.

Business Review

The Company's profit for the financial year is €229,000 (2020 restated: €906,000) and has net assets of €12,033,000 (2020 restated: €10,971,000) as at 31 December 2021.

Strategic Report

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Company is exempt from preparing a Strategic Report.

Dividend

The directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: Nil).

Post Balance Sheet Event

On 23 May 2022 the Company declared an interim dividend of USD 10,455,000 to its shareholder, Akzo Nobel Finance Limited. The dividend was paid on 9 June 2022.

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. There are no internal or 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 it is therefore appropriate to adopt the going concern basis in preparation of the financial statements.

Directors' Report *(continued)*
for the year ended 31 December 2021

Directors

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

S.B. Ray

M. Smalley

J.L. Keane (Resigned 13 August 2021)

B. Williams

Political contributions

The Company made no political donations during the current financial year (2020: Nil).

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 Annual Report 2021, pages 126 to 129 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 Company is operating as a going concern. It is anticipated that the Company will be put forward as a candidate for voluntary liquidation in the future, however, the Directors have not reached any final decisions over liquidating the company.

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

- select suitable accounting policies and then apply them consistently;
- 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 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' Report *(continued)*
for the year ended 31 December 2021

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.

Independent auditors

On 31 August 2021, in accordance with Section 516 and 519 of the Companies Act 2006, PricewaterhouseCoopers LLP ceased to hold office as the Company's auditor. On 8 April 2022, BDO LLP was appointed as the Company's auditor to hold office until the end of the next period for appointing auditors in accordance with Section 485(c) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

On behalf of the Board



M. Smalley
Director

The AkzoNobel Building
Wexham Road
Slough
United Kingdom
SL2 5DS

13 February 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL FINANCE (2) 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 2021 and of its profit 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 Finance (2) Limited ("the Company") for the year ended 31 December 2021 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 FINANCE (2) 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL FINANCE (2) LIMITED *(continued)*

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.

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:

- Gaining an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, through discussion with management and our knowledge of the industry. This was obtained through focusing on those laws and regulations that had a significant effect on the financial statements or that had a fundamental effect on the operations of the Company. The significant laws and regulations we considered in this context included the UK Companies Act, United Kingdom Accounting Standards, including Financial Reporting Standard 101, and relevant tax legislation;
- Discussing among the audit engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in management override of controls specifically in relation to the financial data and inappropriate use of estimates;
- Enquiring of management, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering our knowledge of the nature of the industry, control environment and business performance including the design of the Company's remuneration policies, key drivers for Directors' remuneration and performance targets;
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Performing a detailed review of the Company's year-end adjusting entries;
- Assessing whether the judgements made in significant accounting estimates were indicative of a potential bias;

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and those charged with governance concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL FINANCE (2) LIMITED *(continued)*

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

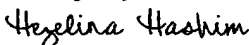
- reviewing minutes of board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations and reviewing correspondence with HMRC;
- in addressing the risk for fraud through management override of controls, testing the appropriateness of journal entries; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of transactions that are unusual or outside the normal course of business.

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:

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Hezelina Hashim (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading, UK
13 February 2023

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 2021

	<i>Notes</i>	2021 €000	2020 (restated) €000
Interest receivable and similar income	6	-	906
Interest payable and similar expenses	7	(833)	-
(Loss)/profit before taxation		(833)	906
Tax on (loss)/profit	8	1,062	-
Profit for the financial year		229	906
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Foreign exchange gain/(loss) on translation from functional currency to presentation currency		833	(906)
Total comprehensive income for the year		1,062	-

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 2021

	<i>Notes</i>	2021 €000	2020 (restated) €000
Current assets			
Debtors	9	12,033	20,233
Creditors: amounts falling due within one year	10	-	(9,262)
Net current assets		<u>12,033</u>	<u>10,971</u>
Net assets		<u>12,033</u>	<u>10,971</u>
Capital and reserves			
Called up share capital	11	-	-
Other distributable reserves		-	-
Retained earnings		12,033	10,971
Total shareholders' funds		<u>12,033</u>	<u>10,971</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 authorised for issue by the board of directors on 13 February 2023 and were signed on its behalf by:



B. Williams
Director

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital	Other distributable reserves	Retained earnings	Total shareholders' funds
	€000	€000	€000	€000
Balance at 1 January 2020 (as previously stated)	-	628,311	(617,340)	10,971
Adjustment to prior period (note 13)	-	(628,311)	628,311	-
Balance at 1 January 2020 (restated)	-	-	10,971	10,971
Profit for the financial year (restated) (note 13)	-	-	906	906
Foreign exchange loss on translation from functional currency to presentation currency (restated)	-	-	(906)	(906)
Total comprehensive income for the year (restated)	-	-	-	-
Balance at 31 December 2020 (restated)	-	-	10,971	10,971

	Called up share capital	Other distributable reserves	Retained earnings	Total shareholders' funds
	€000	€000	€000	€000
Balance at 1 January 2021 (restated)	-	-	10,971	10,971
Profit for the financial year	-	-	229	229
Foreign exchange gain on translation from functional currency to presentation currency	-	-	833	833
Total comprehensive income for the year	-	-	1,062	1,062
Balance at 31 December 2021	-	-	12,033	12,033

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 2021*

1 General information

Akzo Nobel Finance (2) Limited (the “Company”) is a private Company limited by shares and is incorporated and domiciled in the UK. The Company registration number is 09889324 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, United Kingdom SL2 5DS.

2 Accounting policies

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

2.1 Basis of preparation

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

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>.

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 in to 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.

In accordance with Section 414B of The Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013, the Company is exempt from preparing a Strategic Report.

Notes to the financial statements (continued)
for the year ended 31 December 2021

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. There are no internal or 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 it is therefore appropriate to adopt the going concern basis in preparation of the financial statements.

2.3 New standards, amendments and IFRIC interpretations

There were amendments to existing accounting standards which became effective during the year ended 31 December 2021.

Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

As of 31 December 2021, the company expects the affected bank loans to transition from LIBOR to SONIA interest rate benchmarks by the end of 2022 with no material impact on the financial statement of 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 functional currency is United States Dollar (\$).

The Company's financial statements are presented in Euro (€), which is in line with the parent companies presentation 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 gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'Interest receivable and similar income' or 'Interest payable and similar expense'. Foreign exchange differences arising on translation to the presentational currency are recognised in other comprehensive income in the statement of comprehensive income.

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

Notes to the financial statements (continued)
for the year ended 31 December 2021

2 Accounting policies (continued)

2.5 Debtors (continued)

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.

2.6 Creditors

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

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

2.7 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.

2.8 Current and deferred tax

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

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

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

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

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

2.9 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.

Notes to the financial statements (continued)
for the year ended 31 December 2021

3 Critical accounting estimates and judgements

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

3.1 Critical accounting estimates and assumptions

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

(a) Impairment of debtors

The Company makes an estimate of the recoverable value of 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.

3.2 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimate and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that may result in material adjustment within the next financial year are included below.

(a) Presentation currency

The functional currency is related to the primary economic environment in which an entity operates and in which it primarily generates and expends cash. The Company does not consist of a stand-alone business but operates as a "service Company" for the group to limit exposure on FX results on USD denominated loans with no significant autonomy. As such based on directors judgement, the primary economic environment in which the Company operates is USD dominated and therefore conclude that the functional currency is USD (\$) and presentation currency is determined to be Euro (€), which is in line with the ultimate parent company's presentation currency.

4 Auditors' Remuneration

There is no charge for the remuneration of auditors' in the financial statements of the Company as the auditors' fee of £6,800 (2020: £9,000) in relation to the audit of this Company was borne by another group company and is not recharged.

5 Directors and employees

The directors received no remuneration for their services to the Company for the year as their services to the Company are 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.

No individuals were employed by the Company during the year.

Notes to the financial statements (continued)
for the year ended 31 December 2021

6 Interest receivable and similar income

	2021	2020 (restated)
	€000	€000
Foreign exchange gain	-	906
	<u> </u>	<u> </u>

7 Interest payable and similar expense

	2021	2020 (restated)
	€000	€000
Foreign exchange loss	(833)	-
	<u> </u>	<u> </u>

8 Tax on loss/(profit)

Recognised in statement of comprehensive income

	2021	2020 (restated)
	€000	€000
Analysis of charge in year		
<i>UK corporation tax</i>		
Current tax on profit/(loss) for the year	-	-
Adjustments in respect of prior periods	1,062	-
	<u> </u>	<u> </u>
Total current tax credit	1,062	-
	<u> </u>	<u> </u>

Reconciliation of effective tax rate

	2021	2020 (restated)
	€000	€000
(Loss)/profit before taxation	(833)	906
Tax using the UK corporation tax rate of 19.0% (2020: 19.0%)	158	(172)
Non-taxable expense and income	(158)	172
Adjustments in respect of prior periods	1,062	-
	<u> </u>	<u> </u>
Total tax credit	1,062	-
	<u> </u>	<u> </u>

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. This change had 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 2020 and 2021 is 19%. The rate applied to deferred tax balances is also 19% as at 31 December 2020, and is 25% as at 31 December 2021, 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 2021

9 Debtors

	2021	2020 (restated)
	€000	€000
Amounts owed by group undertakings	12,033	20,233

Amounts owed by group undertakings include a balance of €12,033,246 (2020: €20,233,246) that is repayable on demand. Interest is charged monthly based on 1 month LIBOR plus a spread of -10/+15 basis points.

10 Creditors: amounts falling due within one year

	2021	2020 (restated)
	€000	€000
Group relief payable	-	(9,262)

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

11 Called up share capital

	2021	2020 (restated)
	€000	€000
<i>Authorised, allotted, issued and fully paid</i>		
657,328,744 ordinary shares of \$0.000000001521	-	-
(2020: 657,328,744 shares of \$0.000000001521)		

On 11 December 2019 the Company reduced its share capital by reducing the nominal value of each Ordinary Share from USD 1.00 to USD 0.000000001521. Following the reduction, the issued share capital of the Company was 657,328,744 Ordinary Shares with a total value of USD 1.00.

All share capital is classified as shareholders' funds. 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.

Notes to the financial statements (continued)
for the year ended 31 December 2021

12 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.
Other distributable reserve	Reserve maintained by the company for the benefit of the owners.
Accumulated deficit	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

13 Prior period adjustment

(a) Foreign currency translation

Following a review of the balances presented in the Balance Sheet, it was found that the debtors balance and the group relief balance were understated. This is due to the method applied in translating the foreign currency balances to functional currency and translating the functional currency balances to presentation currency.

The above resulted in an understatement of profit before taxation at 31 December 2020. Management considers this to be a material error in line with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (paragraphs 41-43) and have corrected the prior period in line with the requirements of the standard.

The principal accounting adjustments impacts on:

- Increase in debtors to correctly present the balance as at 31 December 2020
- Increase in group relief payable to correctly present the balance as at 31 December 2020
- The above resulting in an increase in profit before taxation due to a foreign exchange gain on translation from foreign currency to functional currency.

(b) Waiver of amounts due from parent company

Following a review of the balances presented in the Balance Sheet, it was found that the waiver of the amounts due from the parent company of €639,686,041 in 2019 should have been treated as a distribution. The waiver had been incorrectly treated as an expense in the Statement of Comprehensive Income in 2019.

The above resulted in an overstatement of Other distributable reserves by €628,311,000 and an understatement of Retained Earnings by the same amount at 1 January 2020. Management considers this to be a material error in line with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (paragraphs 41-43) and have corrected the prior period in line with the requirements of the standard.

The principal accounting adjustments impact on:

- Decrease in Other distributable reserves to reflect the distribution made upon waiver of the debt due from the parent;
- Increase in Retained earnings (turning a loss into a profit in 2019) to correct the error in expensing the waiver in 2019;
- Decrease in Retained Earnings for the remainder of the distribution not covered by Other distributable reserves
- The above resulted in a nil balance of Other distributable reserves and changing Accumulated deficit to Retained earnings.

No Balance Sheet at 31 December 2019 has been presented as there is no requirement to do so under FRS 101.

Notes to the financial statements (continued)
for the year ended 31 December 2021

13 Prior period adjustment (continued)

The impact on figures originally reported in the financial statements for the year ended 31 December 2020 is shown below.

	2020 As originally stated €000	Prior period adjustment (a) €000	Prior period adjustment (b) €000	2020 Restated €000
Statement of Comprehensive Income:				
Other operating expenses	-	-	-	-
Interest receivable and similar income	-	906	-	906
Profit before taxation	-	906	-	906
Tax on profit	-	-	-	-
Profit for the financial year	-	906	-	906
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Foreign exchange loss on translation from functional currency to presentation currency	(906)	-	-	(906)
Total comprehensive income for the year	(906)	906	-	-
	2020 As originally stated €000	Prior period adjustment (a) €000	Prior period adjustment (b) €000	2020 Restated €000
Balance Sheet:				
Current assets				
Debtors	18,562	1,671	-	20,233
Creditors	(8,497)	(765)	-	(9,262)
Net current assets	10,065	906	-	10,971
Net assets	10,065	906	-	10,971
Capital and reserves				
Called up share capital	-	-	-	-
Other distributable reserves	628,311	-	(628,311)	-
(Accumulated deficit) / Retained earnings	(618,246)	906	628,311	10,971
Total shareholders' funds	10,065	906	-	10,971

Notes to the financial statements (continued)
for the year ended 31 December 2021

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

The Company is a wholly owned subsidiary Company of Akzo Nobel Finance Limited, a Company incorporated in England and Wales. The only group in which the results of the Company are consolidated is that headed by the ultimate parent Company, Akzo Nobel N.V., incorporated in the Netherlands. 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, Netherlands or online at: <https://akzonobel.com/en/investors>.

15 Post Balance Sheet Event

On 23 May 2022 the Company declared an interim dividend of USD 10,455,000 to its shareholder, Akzo Nobel Finance Limited. The dividend was paid on 9 June 2022.