

# **Akzo Nobel Powder Coatings Limited**

Annual Report and Financial Statements

Registered number 01725413

31 December 2022

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## Strategic Report

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

### Principal Activities

The principal activity of the Company is the manufacture and sale of thermo-setting powder paint, as well as sales of wet paint and powder paint to the general industrial market via the Cromadex business. The business operates under brands such as Interpon®, Cromadex® and International®. The Company prides itself on product innovation and continues to invest and bring new products to market.

### Business Review and Results

The Company's business is part of the global Akzo Nobel Powder Coatings Business Unit which is headed by Akzo Nobel N.V. Full information on the strategy of the Business Unit can be found in the Annual Report and Accounts of the ultimate parent company; Akzo Nobel N.V. Copies are available as indicated in note 20.

The Company continues to achieve leading market positions by delivering leading performance. This mission statement is underpinned by adhering to the Group's core principles, values and behaviours. The core principles are safety, integrity and sustainability. The Company has a target of zero accidents as well as a Group Code of Conduct which is embedded throughout the organisation.

There were no reportable incidents in the Company during the year.

The Company's core values are customer focus, delivering on commitments, having a passion for excellence and winning together.

Sales volumes declined in 2022 as a direct result of market uncertainty and in particular the Russian invasion of Ukraine which began in February. The construction industry in particular was affected with supply chains stretched and the flow of funding for new projects slowing significantly.

Raw material supply constraints remained a challenge with high raw material prices a continuing theme rolling over from 2021. Material costs unexpectedly continued to rise throughout 2022 leading to a need for cost recovery through customer price increases. Despite lower sales volume than the previous year, sales revenue was increased thanks to a partial recovery from maintaining pricing discipline.

#### Value Proposition:

Customers select products based on the strength of our brands (Interpon, Resicoat, Cromadex, International), our understanding of their customers' needs and challenges as well as our reputation for quality, performance and responsive service.

Our local presence is backed by a Global organisation and this gives our customers confidence in our ability to support their business.

#### Our Vision:

Strengthen our leading position in the UK market with an unrivalled local stock offer, a differentiated product portfolio and the best-in-class customer service experience. Continue to establish ourselves as the experts in the market-place through traditional channels and innovative digital tools.

## Strategic Report (*continued*)

### Our Mission:

Consolidate our Number 1 position in the market by focusing on our customers and our customers' customer. Lead the market with digital tools which offer our customers an enhanced customer experience. Accelerate growth in our core markets – Architectural, Automotive, Functional & GTC through specification selling and a focus on premium products which deliver essential protection and aesthetics for the end user.

In 2022 the Company reports a profit after tax of £5,182,000 (2021: £7,137,000), which has seen the Company net assets increase to £20,494,000 (2021: net assets £15,312,000) as at 31 December 2022.

### Key performance indicators (“KPIs”)

	Year to 31 December 2022	Year to 31 December 2021
	(£'000)	(£'000)
Turnover	59,165	57,028
Gross profit	19,615	20,775
Gross margin (%)	33.2	36.4
Profit before tax	6,228	7,560
Return on sales (%)	10.5	13.3

The KPI's above show the result of a combination of several key areas:

- Lower third-party volumes compared with 2021 as a result of macro-economic factors affecting key market segments. Revenue levels were sustained through maintaining pricing discipline.
- Inventory remained stable throughout the year; however, the value of inventory rose due to the cost of raw materials compared with 2021.
- The UK Construction PMI fell throughout the year as the sector contracted.

Other than above, there are no non-financial key performance indicators monitored by the Company.

### Principal Risks and Uncertainties

The Directors consider the principal risks and uncertainties as those which threaten the success of our customers and those which inhibit our role in the global Powder Strategic Marketing Unit.

In 2022, our biggest risks were as follows:

Macro-economic uncertainty following Russian invasion of Ukraine resulting in market slow down.

*Mitigation: Ensure strong supply chain and growth pipeline.*

Raw Material prices continue to rise leading to further challenges on profitability

*Mitigation: Purchasing team to take advantage of buying power to reduce potential impact*

Raw Material shortages lead to a reduction in service and loss of business

*Mitigation: Approve alternative raw material suppliers. Pre-buy key raw materials in anticipation of shortages*

Capacity / Demand Balance leads to high OOS and poor service levels

*Mitigation: Improve planning through Integrated Business Planning*

## Strategic Report *(continued)*

### Opportunities

New Product Launches. (Precis Ultra Matt Powder Range. Low-E Powder range).

CapEx at UK factory to support sales volume growth and customer satisfaction.

Training of people to create best in class team and service offer

Further focus on culture to improve engagement of employees.

### STREAMLINED ENERGY AND CARBON REPORTING (SECR) DISCLOSURE

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

	Year to 31 December 2022	Year to 31 December 2021
Energy consumption used to calculate emissions (kWh)	3,415,827	4,065,797
Emissions from combustion of gas (Scope 1) tCO <sub>2</sub> e	94	108
Emissions from purchased electricity (Scope 2) tCO <sub>2</sub> e	561	738
Total gross tCO <sub>2</sub> e based on above (Location based)	655	846
Total gross tCO <sub>2</sub> e based on above (Market based)	94	108
Intensity ratio (kgCO <sub>2</sub> e/tonnes of production) (Location based)	12.597	16.272
Intensity ratio (kgCO <sub>2</sub> e/tonnes of production) (Market based)	1.798	2.077

### ENERGY EFFICIENCY ACTION SUMMARY

Akzo Nobel Powder Coatings Limited achieves direct savings in energy and associated carbon emissions continuously through operational and technological improvements, including;

- Addition of Power Factor Correction (PFC) equipment to improve the power factor
- Installation of flow meter to measure air leaks and monitoring
- Installation of LED lighting

Additional indirect energy and carbon emission savings have also been achieved through a range of measures, including implementation of a new enterprise-level software application that provides us with quality assurance and data capture capabilities into one energy and carbon management solution.

## Strategic Report *(continued)*

### SECTION 172(1) REPORT

During discussions and decisions made during the year ended 31 December 2022, the directors of Akzo Nobel Powder Coatings 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.

#### 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.

The Directors are aware that the Company is well below its targets in respect of diversity and inclusion on the Board and understands that candidates for Board positions can only be chosen from the pool available at management level. Therefore, there are targets in place for the Company and wider organisation to attract more female and gender diverse individuals at an earlier level in their career in order to grow their ambitions to Board level.

## **Strategic Report** *(continued)*

### **Section 172 Statement** *(continued)*

#### **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 awarded UK Top Employer for the tenth year in a row, recognising for our focus on colleague development, engagement and wellbeing for the last decade and underlines the value and strength of our people-focused campaigns and activities. 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.

#### 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 enrolled in the programme in 2022.

#### 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.

## Strategic Report (*continued*)

### Section 172 Statement (*continued*)

#### Structured / Unstructured flexible working

Employees having 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 is being rolled out across all UK locations, and feedback from the business is that, whether driven through a formal or informal approach, the new initiative is viewed positively and aims to allow all employees 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 AkzoNobel and our employees.

#### 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 a number of 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 in order to 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*)**

### **Section 172 Statement (*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 first ever virtual wellbeing festival – which ran over a two-week period in 2022 and was 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, as well as subject matter experts within the business. With over 1,912 attendees joining our sessions, Wellfest has become a popular event in the Company's social calendar and we hope to continue into 2023.

#### **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.

#### **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.

## **Strategic Report (continued)**

### **Section 172 Statement (continued)**

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.

#### **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

#### **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.

#### **UK & I Community Fund**

In late 2022 and early 2023, the UK&I Community Fund pledged £25,000 to support good causes and charities that our colleagues, are actively involved in. 37 applications were made by colleagues across the UK group. Each application was carefully considered and donations were made to many worthy causes including Salvation Army and Hadston House.

## Strategic Report (*continued*)

### Section 172 Statement (*continued*)

#### 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.

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: <https://www.akzonobel.com/en/countries/akzonobel-uk---ireland/corporate-governance>

On behalf of the Board



**S. Timmins**  
Director

The AkzoNobel Building  
Wexham Road  
Slough  
SL2 5DS  
22 December 2023

## Directors' Report

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

### Research and Development

The Company undertakes various research and development activities. A proportion of these activities is recharged to other group companies.

### Dividends

The Profit before taxation amounted to £6,228,000 (2021: £7,560,000). The directors do not recommend the payment of a dividend (2021: £nil). The profit for the financial year of £5,182,000 (2021: £7,137,000) has been transferred to reserves.

### Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Mrs. N. Akay Kemahli	(Resigned 31 March 2022)
Mr. G. Brown	(Resigned 31 March 2022)
Mr. O. Duarte Salgueiro	(Appointed 26 April 2022)
Mr. R. Simpson	(Appointed 31 March 2022)
Mr. M. Smalley	
Mr. S. Timmins	

### 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.

### Financial Risk Management

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company where appropriate.

## **Directors' Report *(continued)***

### **Employees**

The Company's policy is to consider all job applications by disabled persons sympathetically in relation to the duties, responsibilities and physical requirements of the vacancies, the aptitudes of the applicants, including the nature of the disability, the working environment and the facilities required for the effective performance of the job by the applicant. If any existing employee becomes disabled, the Company will examine any effects of the disability on current job performance and take all practicable steps to maintain the employees' continued employment through the provision of appropriate retraining, changes in working facilities or, with mutual agreement, the provision of alternative employment more closely related to the employees' capabilities. The Company will continue to identify and monitor the employment of Registered Disabled persons to determine its position in relation to the current statutory requirements.

The safety of the Company's employees and the public continues to be our number one priority. Behavioural Based Safety (BBS) is part of our daily routine and continues to make the UK Powder business a safer place to work. Every employee also has the right to apply our Golden Principle which is part of our "Life Saving Rules" – namely, if conditions or behaviour is unsafe, stop work.

### **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. An annual bonus scheme is in operation which rewards employees and is linked to the performance of the Company.

### **Future Developments**

At the time of signing these financial statements the Directors are not aware of any likely future developments in the business of the Company. Further information has been provided within the Strategic Report.

### **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 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.

## **Directors' Report** *(continued)*

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.

### **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**

PricewaterhouseCoopers LLP are appointed as the Company's auditors, to hold office until to the end of the next period for appointing auditors in accordance with section 485(4c) of the Companies Act 2006.

On behalf of the Board



**S. Timmins**  
**Director**

The AkzoNobel Building  
Wexham Road  
Slough  
SL2 5DS  
22 December 2023

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

## Report on the audit of the financial statements

### Opinion

In our opinion, Akzo Nobel Powder 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 Powder 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;
- Reviewing board minutes;
- Reviewing 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;



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

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

- Identifying and testing journal entries in particular any journal entries posted with unusual account combinations; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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](http://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  
22 December 2023

**Statement of Comprehensive Income**  
*for the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <b>£000</b>	2021 £000
<b>Turnover</b>	<b>3</b>	<b>59,165</b>	<b>57,028</b>
Cost of sales		(39,550)	(36,253)
<b>Gross profit</b>		<b>19,615</b>	<b>20,775</b>
Distribution costs		(6,932)	(6,554)
Administrative expenses		(6,283)	(5,863)
<b>Operating profit</b>	<b>4</b>	<b>6,400</b>	<b>8,358</b>
Other interest receivable and similar income	7	629	5
Interest payable and similar expenses	8	(801)	(803)
<b>Profit before taxation</b>		<b>6,228</b>	<b>7,560</b>
Tax on Profit	9	(1,046)	(423)
<b>Profit for the financial year</b>		<b>5,182</b>	<b>7,137</b>
<b>Total comprehensive income for the year</b>		<b>5,182</b>	<b>7,137</b>

All results arose from continuing activities. The notes on pages 19 to 36 are an integral part of these financial statements.

**Balance Sheet**  
*As at 31 December 2022*

	<i>Note</i>	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
<b>Fixed assets</b>			
Intangible assets	<i>10</i>	9,382	9,382
Tangible assets	<i>11</i>	1,276	1,638
Rights of-use assets	<i>12</i>	329	496
		<hr/> 10,987	<hr/> 11,516
<b>Current assets</b>			
Stocks	<i>13</i>	6,477	7,152
Debtors (including £3,423,000 (2021: £3,329,000) due after more than one year)	<i>14</i>	59,035	54,682
		<hr/> 65,512	<hr/> 61,834
<b>Creditors: amounts falling due within one year</b>	<i>15</i>	(15,833)	(17,718)
<b>Net current assets</b>		<hr/> 49,679	<hr/> 44,116
<b>Creditors: amount falling due after more than one year</b>	<i>16</i>	(40,172)	(40,320)
<b>Net Assets</b>		<hr/> 20,494	<hr/> 15,312
<b>Capital and reserves</b>			
Called up share capital	<i>18</i>	20,002	20,002
Profit and loss account		492	(4,690)
<b>Total Shareholders' funds</b>		<hr/> 20,494	<hr/> 15,312

The notes on pages 19 to 36 are an integral part of these financial statements. These financial statements on pages 16 to 36 were approved by the Board of Directors on 22 December 2023 and were signed on its behalf by:



**R. Simpson**  
**Director**

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

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total Shareholders' funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 January 2021	20,002	(11,827)	8,175
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>			
Total comprehensive income for the financial year	-	7,137	7,137
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	<b>20,002</b>	<b>(4,690)</b>	<b>15,312</b>
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2022	20,002	(4,690)	15,312
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>			
Total comprehensive income for the financial year	-	5,182	5,182
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2022</b>	<b>20,002</b>	<b>492</b>	<b>20,494</b>
	<hr/>	<hr/>	<hr/>

The notes on pages 19 to 36 are an integral part of these financial statements.

## Notes

### 1 Accounting policies

Akzo Nobel Powder Coatings Limited (the “Company”) is a private company limited by shares incorporated and domiciled in England, UK. The address of its registered office is The AkzoNobel Building, Wexham Road, SL2 5DS, England.

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and presentation 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 exemptions.

As the Company is a wholly owned subsidiary of Akzo Nobel N.V., the consolidated financial statements of Akzo Nobel N.V., within which the Company is included, can be obtained from the address in note 20.

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;
- 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; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

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
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- The requirements in IAS 24, ‘*Related party disclosures*’, to disclose related party transactions entered into between two or more members of a group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### 1.2 Going concern

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided written notification 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 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 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, 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.

##### *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.

##### *Cash and cash*

Cash and cash equivalents comprise cash balances and call deposits.

##### *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.

#### 1.6 Tangible fixed assets

All tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of tangible fixed assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

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:

- freehold land and buildings                      50 years
- plant and machinery                              10 years
- fixtures and fittings                                5 years

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Tangible fixed assets (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

#### 1.7 Intangible assets, goodwill and negative goodwill

##### *Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating 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 practicable 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.

#### 1.8 Inventories

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.

#### 1.9 Impairment excluding stocks and deferred tax assets

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Impairment excluding stocks and deferred tax assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.10 Employee benefits

##### *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. 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.

#### 1.11 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 Turnover

Turnover represents the fair value of consideration received and receivable for goods and services supplied to customers after deducting sales allowances, rebates and value added taxes. Revenue from the sale of goods is recognised when goods are dispatched, 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.

#### 1.13 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.

This policy is applied to contracts entered into, on or after January 1, 2019

##### 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 recognises 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.

At the commencement date, it is assessed whether it is reasonably certain that:

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.13 Leases (continued)

- An option to extend is exercised; or
- An option to purchase is exercised; or
- An option to terminate the lease is not exercised

In making these assessments, all relevant facts and circumstances that create an economic incentive for us to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option are considered.

Short-term leases and leases of low-value assets. The company elected not to recognise on the balance sheet right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 1.14 Interest

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, 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.

#### 1.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised 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. 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.

## Notes (continued)

### 2 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.

#### 2.1 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) 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 consumer 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.

#### 2.2 Critical accounting judgements

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

## Notes (continued)

### 3 Turnover

	2022 £000	2021 £000
<i>By activity</i>		
Sale of powder coatings	46,334	44,681
Sale of wet paint	12,831	12,347
	<u>59,165</u>	<u>57,028</u>

	2022 £000	2021 £000
<i>By geographical market</i>		
United Kingdom and Eire	53,319	50,800
Europe	5,845	6,160
Rest of the World	1	68
	<u>59,165</u>	<u>57,028</u>

### 4 Operating profit

	2022 £000	2021 £000
<i>Operating profit is stated after charging / (crediting):</i>		
Depreciation of owned tangible fixed assets (note: 11)	399	485
Depreciation of right-of-use assets (note: 12)	167	198
Restructuring costs	235	188
Research and development expenditure	935	850
Exchange loss / (gain)	140	(161)
Inventory recognised as an expense	31,625	30,088
	<u>33,561</u>	<u>32,654</u>
	<u>2022</u>	<u>2021</u>
	<u>£000</u>	<u>£000</u>
<i>Auditors' remuneration</i>		
- audit of these financial statements	37	35

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.

## Notes (continued)

### 5 Remuneration of directors

Directors of the Company also provide qualifying services to other Group companies. Directors' time is not apportioned, and their costs are not allocated between Group companies.

	2022 £000	2021 £000
Aggregate Directors' remuneration paid by the Company	190	255
Amounts receivable under long term incentive schemes	11	14
Company contributions to defined benefit schemes	50	66

The remuneration of directors paid by other Group companies for services to the group as a whole and not recharged including a significant proportion to this Company, is as follows:

	2022 £000	2021 £000
Aggregate Directors' remuneration paid by the Company	458	424
Amounts receivable under long term incentive schemes	48	27
Company contributions to defined contribution schemes	31	14

The following applies to all directors of the company

	Number of directors 2022	2021
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2
Defined contribution schemes	3	1
The number of directors who exercised share options in the ultimate parent company was	2	2
The number of directors in respect of whose qualifying services shares in the ultimate parent company were received or receivable under long term incentive schemes was	3	3

Emoluments attributable to the highest paid director were £224,049 (2021: £236,472).

## Notes (continued)

### 6 Staff numbers and costs

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

	Number of employees	
	2022	2021
Office and management	89	94
Production and other	51	59
	<u>140</u>	<u>153</u>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	6,117	5,837
Social security costs	733	676
Redundancy costs	286	188
Other pension costs (note 19)	1,550	1,458
	<u>8,686</u>	<u>8,159</u>

### 7 Other interest receivable and similar income

	2022	2021
	£000	£000
Receivable from group undertakings	629	5
	<u>629</u>	<u>5</u>

## Notes (continued)

### 8 Interest payable and similar expenses

	2022 £000	2021 £000
Lease liability	9	11
Payable to group undertakings	792	792
	<u>801</u>	<u>803</u>

### 9 Tax on profit

#### Recognised in the Statement of Comprehensive Income

	2022 £000	£000	£000	2021 £000
<i>UK corporation tax</i>				
Current tax on income for the year	1,140		676	
Adjustments in respect of prior periods	-		19	
	<u>1,140</u>		<u>695</u>	
Total current tax		1,140		695
<i>Deferred tax (note 17)</i>				
Originating and reversal of temporary differences	(94)		(888)	
Adjustment in respect of prior periods	-		616	
	<u>(94)</u>		<u>(272)</u>	
Total deferred tax		(94)		(272)
Tax charge		<u>1,046</u>		<u>423</u>

#### Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit before taxation	6,228	7,560
	<u>6,228</u>	<u>7,560</u>
Tax using the UK corporation tax rate of 19% (2021: 19%)	1,183	1,436
Non-deductible expenses	2	16
Change in tax rate on deferred tax balances	(22)	(799)
UK transfer pricing adjustment	(117)	(865)
Adjustments in respect of prior periods	-	635
	<u>1,046</u>	<u>423</u>
Total Tax charge	<u>1,046</u>	<u>423</u>

#### 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)

### 10 Intangible assets

	<b>Goodwill £000</b>
Balance at 1 <sup>st</sup> January 2022	9,382
	<hr/>
<b>Balance at 31 December 2022</b>	<b>9,382</b>
	<hr/>

Goodwill arose in 2005 when the Cromadex stores business was transferred to the Company. It is monitored by the management at the operating segment level which is the network of stores identified as a single cash generating unit. Goodwill is not allocated to individual stores.

The recoverable amount of goodwill been calculated with reference to its value in use.

The key assumptions of this calculation are shown below:

	<b>2022</b>	<b>2021</b>
Period on which management approved forecasts are based	<b>5</b>	<b>5</b>
Growth rate applied beyond approved forecast period	<b>0%</b>	<b>0%</b>
Pre-tax Weighted Average Cost of Capital	<b>9%</b>	<b>6.1%</b>
	<hr/>	<hr/>

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 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)

### 11 Tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<b>Cost</b>				
At beginning of year	1,642	7,810	2,353	11,805
Additions	-	37	-	37
At end of year	1,642	7,847	2,353	11,842
<b>Accumulated depreciation</b>				
At beginning of year	1,513	6,373	2,281	10,167
Charge for year	9	359	31	399
At end of year	1,522	6,732	2,312	10,566
<b>Net book value</b>				
At 31 December 2022	120	1,115	41	1,276
At 31 December 2021	129	1,437	72	1,638

### 12 Right-of-use assets

	Freehold Land and Buildings £000	Plant and Machinery £000	Fixtures and fittings £000	Total £000
<b>Cost</b>				
At beginning of year	1,173	59	21	1,253
At end of year	1,173	59	21	1,253
<b>Accumulated depreciation</b>				
At beginning of year	679	57	21	757
Charge for year	167	-	-	167
At end of year	846	57	21	924
<b>Net book value</b>				
At 31 December 2022	327	2	-	329
At 31 December 2021	494	2	-	496

## Notes (continued)

### 13 Stocks

	2022 £000	2021 £000
Raw materials and consumables	1,614	2,632
Finished goods and goods for resale	4,863	4,520
	<u>6,477</u>	<u>7,152</u>

There is no significant difference between the replacement cost of inventory and their carrying amounts. Inventories are stated after provisions for impairment of £18,000 (2021: £20,000).

### 14 Debtors

	2022 £000	2021 £000
Trade debtors	9,866	9,602
Amounts owed by group undertakings	45,435	40,525
Other debtors	311	998
Prepayments and accrued income	-	228
Deferred tax (see note 17)	3,423	3,329
	<u>59,035</u>	<u>54,682</u>
Due within one year	55,612	51,353
Due after more than one year	3,423	3,329
	<u>59,035</u>	<u>54,682</u>

Trade debtors are stated after provisions for impairment of £42,000 (2021: £4,000).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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. Included within amounts owed by group undertakings is £44,229,000 (2021: £39,088,000) in respect of the Company's share of the account.

## Notes (continued)

### 15 Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	2,497	5,661
Amounts owed to group undertakings	8,566	9,364
Taxation and social security	990	1,067
Corporation tax	1,815	675
Other creditors and accruals	1,807	773
Lease liability (note 16)	158	178
	<u>15,833</u>	<u>17,718</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are payable on demand.

### 16 Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Lease liability (note 16)	172	320
Amounts owed to group undertakings	40,000	40,000
	<u>40,172</u>	<u>40,320</u>

#### Lease liabilities are payable as follows:

	2022 £000	2021 £000
Within one year	158	178
Between two and five years	172	320
	<u>330</u>	<u>498</u>

Amounts owed to group undertakings included an intercompany loan of £40,000,000 (2021: £40,000,000) plus unpaid interest of £434,000 (2021: £434,000). Interest is charged at a rate of 0.93% plus a margin of 1.04%. The loan matures on 15 June 2025.

## Notes (continued)

### 17 Deferred tax asset and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2022 £000	Assets 2021 £000
Tangible assets	3,032	2,934
Intangible assets	(35)	(31)
Tax losses recognised for deferred tax	426	426
	<hr/>	<hr/>
Tax assets	3,423	3,329
Net of tax liabilities	-	-
	<hr/>	<hr/>
Net tax assets	3,423	3,329
	<hr/>	<hr/>

#### Movement in deferred tax during the year

	1 January 2022 £000	Recognised in statement of comprehensive income £000	31 December 2022 £000
Tangible fixed assets	2,934	98	3,032
Intangible assets	(31)	(4)	(35)
Tax losses	426	-	426
	<hr/>	<hr/>	<hr/>
	3,329	94	3,423
	<hr/>	<hr/>	<hr/>

#### Movement in deferred tax during the prior year

	1 January 2021 £000	Recognised in statement of comprehensive income £000	31 December 2021 £000
Tangible fixed assets	1,955	979	2,934
Intangible assets	19	(50)	(31)
Tax losses	1,083	(657)	426
	<hr/>	<hr/>	<hr/>
	3,057	272	3,329
	<hr/>	<hr/>	<hr/>

The deferred tax asset has been recognised as there is sufficient certainty that future probable taxable profits will be available against which the deferred tax asset can be utilised.

## Notes (continued)

### 18 Called up Share Capital

	2022 £000	2021 £000
<i>Allotted, called up and fully paid:</i>		
20,002,000 (2021: 20,002,000) Ordinary shares of £1 each	20,002	20,002
	<hr/>	<hr/>
Shares classified in shareholders' funds	20,002	20,002
	<hr/>	<hr/>

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.

### 19 Pension schemes

#### AkzoNobel UK Pension Schemes:

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

#### Akzo Nobel (CPS) Pension Scheme

The Company is a participant in a group wide defined benefit pension scheme. As the legally sponsoring entity, the financial statements of Akzo Nobel UK Ltd identify and disclose the information on the plan 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 qualified independent actuary and charged as a percentage of salary costs. The charge recognised in respect of active members in 2022 was £1,168,651 (2021: £1,085,528).

#### Akzo Nobel Benefit Builder Retirement Plan

The Company operates a defined contribution pension plan. The total cost relating to this plan in 2022 was £381,756 (2021: £372,866).

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

The Company is a wholly owned subsidiary undertaking of Akzo Nobel Coatings (BLD) Limited, a company registered in England. The directors consider that the ultimate controlling party and the only group in which the results of the Company are consolidated is that headed by the ultimate parent company, Akzo Nobel N.V., which is an entity 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, Amsterdam and online at: <https://akzonobel.com/en/investors>