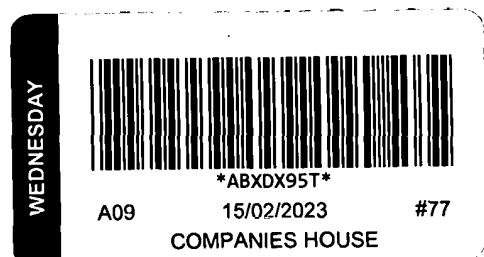


**Akzo Nobel Finance Limited**

**Annual Report and Financial Statements**

**31 December 2021**

**Registered number 08478849**



## Contents

	Page(s)
Strategic Report	1
Directors' Report	2-3
Independent Auditors' Report to the Members of Akzo Nobel Finance Limited	4-7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11-20

## **Strategic Report**

*for the year ended 31 December 2021*

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

### **Principal Activities**

In 2021, the principal value of the Company's Loan Book (€29m) was transferred to Akzo Nobel N.V. As a result, the Company no longer undertakes any financing activities on behalf of the AkzoNobel Group. The Company is an investment holding company of Akzo Nobel Finance (2) Limited and 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.

### **Business Review**

The Company recorded €nil (2020: €5m) in net interest income and a net exchange loss of €nil (2020: loss €11m) on the Company's non-euro denominated loan book. The Company recorded a profit before taxation of €nil (2020: €17m).

The results for the year ended 31 December 2021 are set out on page 8 of the financial statements.

The net assets of the Company as of 31 December 2021 were €908m (2020: €901m).

### **Governance**

As the Company no longer undertakes any financing activities, the frequency of board meetings have been reduced. However, there continues to be a clear approvals process for any transactions that may be required to prepare the Company for future voluntary liquidation.

### **Principal Risks and Uncertainties**

There are limited principal risks for the Company since it no longer engages in financing activities.

### **Key Performance Indicators**

Since the Company no longer engages in financing activities, there are no Key Performance Indicators to report upon for the year ended 31 December 2021.

On behalf of the Board



**M. Smalley**  
Director

The AkzoNobel Building  
Wexham Road  
Slough  
United Kingdom  
SL2 5DS

13 February 2023

## **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.

### **Dividend**

The Directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: No dividend was declared or paid).

### **Post Balance Sheet Events**

On 23 May 2022, the Company cancelled its Share Premium account and returned funds in the amount of €716m to its shareholder, Akzo Nobel N.V. On the same day, the Company declared an interim dividend of €180m to its shareholder, Akzo Nobel N.V. The funds were paid to Akzo Nobel N.V. on 12 July 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. All liabilities relate to group relief. 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**

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

J.L. Keane (Resigned 13 August 2021)

S.B. Ray

M. Smalley

B. Williams

### **Political contributions**

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

### **Future developments**

In 2021, the principal value of the Company's Loan Book (€29m) was transferred to Akzo Nobel N.V. As a result, the Company no longer undertakes any financing activities on behalf of the AkzoNobel Group. The Company is an investment holding company of Akzo Nobel Finance (2) Limited and 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.

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

**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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**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.

On behalf of the Board



S. B. Ray  
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 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 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 LIMITED** *(continued)*

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other Companies Act 2006 reporting**

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

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

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

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

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

### **Responsibilities of Directors**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- 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.
- 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;
- 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.

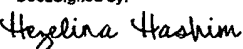
## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL FINANCE LIMITED (continued)**

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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Hazelina 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>Note</i>	<b>2021</b> €m	<b>2020</b> €m
Interest receivable and similar income	7	-	32
Interest payable and similar expenses	8	-	(15)
		<hr/>	<hr/>
<b>Profit before taxation</b>		-	17
Tax on profit	9	7	(3)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		7	14
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		7	14
		<hr/>	<hr/>

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

The notes on pages 11 to 20 are an integral part of these financial statements.

**Balance Sheet**  
*as at 31 December 2021*

	<i>Note</i>	<b>2021</b> €m	<b>2020</b> €m
<b>Fixed assets</b>			
Investments	<i>10</i>	11	11
<b>Current assets</b>			
Debtors (including £nil (2020: £5m) due after more than one year)	<i>11</i>	897	927
<b>Creditors: amounts falling due within one year</b>	<i>12</i>	-	(37)
		<hr/>	<hr/>
<b>Net current assets</b>		897	890
		<hr/>	<hr/>
<b>Net assets</b>		908	901
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>14</i>	2	2
Share premium account		716	716
Retained earnings		190	183
		<hr/>	<hr/>
<b>Total shareholders' funds</b>		908	901
		<hr/>	<hr/>

The notes on pages 11 to 20 form part of these financial statements.

These financial statements on pages 8 to 20 were approved 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	Share Premium account	Retained earnings	Total shareholders' funds
	€m	€m	€m	€m
Balance at 1 January 2020	2	716	169	887
Profit for the financial year	-	-	14	14
<b>Total comprehensive income for the year</b>	-	-	14	14
<b>Balance at 31 December 2020</b>	<b>2</b>	<b>716</b>	<b>183</b>	<b>901</b>
	Called up share capital	Share Premium account	Retained earnings	Total shareholders' funds
	€m	€m	€m	€m
Balance at 1 January 2021	2	716	183	901
Profit for the financial year	-	-	7	7
<b>Total comprehensive income for the year</b>	-	-	7	7
<b>Balance at 31 December 2021</b>	<b>2</b>	<b>716</b>	<b>190</b>	<b>908</b>

The notes on pages 11 to 20 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 Limited (the “Company”) is a private company limited by shares and is incorporated and domiciled in the UK. The Company registration number is 08478849 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 the historical cost convention as modified by valuation of derivatives measured at fair value in Euros.

The Company’s ultimate parent undertaking, Akzo Nobel N.V. includes the Company in its consolidated financial statements. The consolidated financial statements of Akzo Nobel N.V. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, Netherlands or online at: <https://akzonobel.com/en/investors>.

The Company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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

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

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

## **Notes to the Financial Statements (continued)** **for the year ended 31 December 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. All liabilities relate to group relief. 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 Interest receivable and similar income**

Interest receivable and similar income comprises interest receivable on amounts owed by group undertakings and 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, net foreign exchange movements on amounts owed by group undertakings and movements in fair value of related derivative financial instruments.

#### **2.5 Interest payable and similar expense**

Interest payable and similar expense comprises interest payable on amounts owed to group undertakings and is recognised in the statement of comprehensive income using the effective interest method, unwinding of the discount on provisions, net foreign exchange movements on amounts owed to group undertakings and movements in fair value of related derivative financial instruments.

#### **2.6 Foreign currency translation**

##### **(a) Functional and presentation currency**

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

##### **(b) Transactions and balances**

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

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

**Notes to the Financial Statements (continued)**  
**for the year ended 31 December 2021**

**2 Accounting policies (continued)**

**2.7 Investments in subsidiaries and associated undertakings**

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

**2.8 Debtors**

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

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

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

**2.9 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.

**2.10 Borrowings**

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

**2.11 Derivative financial instruments**

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income.

The Company uses derivatives financial instruments to hedge its exposure to currency translations arising from financing activities unless where repayment of a loan is not currently intended in the foreseeable future. The entity does not use hedge accounting.

**Notes to the Financial Statements (continued)**  
**for the year ended 31 December 2021**

**2 Accounting policies (continued)**

**2.12 Current and deferred tax**

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

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

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

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

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.

**2.13 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 statement of comprehensive income in the periods during which services are rendered by employees.

**2.14 Impairment of non-financial assets**

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**2.15 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.

**2.16 Dividends payable**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

**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 investment*

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

*(b) Impairment of debtors*

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

**4 Auditors' remuneration**

There is no charge for the remuneration of auditors' in the financial statements of the Company as the auditors' fee of £10,625 (2020: £13,770) in relation to the audit of this Company was borne by another group company and is not recharged.

**5 Staff numbers and costs**

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

	Number of employees	
	2021	2020
By activity		
Corporate	-	1
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	€000	€000
Wages and salaries	-	271
Social security costs	-	37
Other pension costs	-	-
	<hr/>	<hr/>
	-	308
	<hr/>	<hr/>

**Notes to the Financial Statements (continued)**  
*for the year ended 31 December 2021*

**6 Directors**

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

The remuneration of directors paid by the Company is as follows:

	2021 €000	2020 €000
Aggregate directors' emoluments in respect of qualifying services	-	209
Amounts receivable under long term incentive schemes	-	62
	<u>          </u>	<u>          </u>

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

	2021 €000	2020 €000
Aggregate directors' emoluments paid by other Group Companies	571	559
Amounts receivable under long term incentive schemes	310	102
Company contributions to money purchase pension schemes	23	33
Contributions to defined benefit schemes	74	138
	<u>          </u>	<u>          </u>

The following includes all Directors:

	Number of employees	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
	<u>          </u>	<u>          </u>
The number of directors in respect of whose services, shares in the ultimate parent company were received or are receivable under long term incentive schemes	2	2
	<u>          </u>	<u>          </u>

Post-employment benefits are accruing for two directors (2020: two) under a defined benefit scheme.

**7 Interest receivable and similar income**

	2021 €m	2020 €m
Interest receivable from group undertakings	-	5
Profit on transfer of loan assets	-	27
	<u>          </u>	<u>          </u>
	-	32
	<u>          </u>	<u>          </u>

**Notes to the Financial Statements (continued)**  
*for the year ended 31 December 2021*

**8 Interest payable and similar expenses**

	2021 €m	2020 €m
Fair value losses on derivative financial instruments	-	(4)
Net exchange losses	-	(11)
	<u>-</u>	<u>(15)</u>

**9 Tax on profit**

**Recognized in the statement of comprehensive income**  
*Analysis of charge in year*

	2021 €m	2020 €m
<i>UK corporation tax</i>		
Current tax charge for the year	-	(3)
Adjustments in respect of prior periods	7	-
Tax credit/(charge) on profit before taxation	<u>7</u>	<u>(3)</u>

**Reconciliation of standard tax rate**

	2021 €m	2020 €m
Profit before taxation	-	17
Tax using UK corporation tax rate 19.0% (2020: 19.0%)	-	(3)
Adjustments in respect of prior periods	7	-
Total tax credit/(expense)	<u>7</u>	<u>(3)</u>

***Factors that may affect future current and total tax charges***

In the Budget Statement of March 2021, a 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*

**10 Investments**

	Loans to group undertakings €m	Shares in group undertakings €m	Total  €m
<i>Cost</i>			
At beginning and end of year	-	11	11
	_____	_____	_____
<i>Provisions</i>			
At beginning and end of year	-	-	-
	_____	_____	_____
<i>Net book value</i>			
At 31 December 2021	-	11	11
	=====	=====	=====
At 31 December 2020	-	11	11
	=====	=====	=====

Subsidiary undertakings	Country of Incorporation	Class of shares held	Ownership	
			2021	2020
Akzo Nobel Finance (2) Limited	England and Wales	Ordinary	100%	100%
Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee Shares	Registration number	Public or private
Akzo Nobel Finance (2) Limited	The AkzoNobel Building, Wexham Road Slough United Kingdom SL2 5DS		09889324	Private

**Notes to the Financial Statements (continued)**  
*for the year ended 31 December 2021*

**11 Debtors**

	2021 €m	2020 €m
Amounts owed by group undertakings	897	924
Derivative financial instruments	-	3
	<u>897</u>	<u>927</u>
Due within one year	897	922
Due after more than one year	-	5
	<u>897</u>	<u>927</u>

Amounts owed by group undertakings include an intercompany loan balance of €nil (2020: €24,007,374) and has an expiry date of 15 November 2021. Interest is fixed at 2.25%. The intercompany loan balance was repaid on 16 April 2021.

Amounts owed by group undertakings include an intercompany loan balance of €nil (2020: €2,102,509) and has an expiry date of 15 February 2022. Interest is fixed at 4.33%. The intercompany loan balance was repaid on 27 January 2021.

Amounts owed by group undertakings include an intercompany loan balance of €nil (2020: €3,877,558) and has an expiry date of 15 November 2021. Interest is fixed at 4.12%. The intercompany loan balance was repaid on 27 January 2021.

Amounts owed by group undertakings include a balance of €897,155,911 (2020: €893,761,496) that is repayable on demand. Interest is accrued monthly based on 1-month LIBOR plus a spread of +15 / -10 basis points.

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

**12 Creditors: amounts falling due within one year**

	2021 €m	2020 €m
Derivative financial instruments	-	3
Group relief payable	-	34
	<u>-</u>	<u>37</u>

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

**Notes to the Financial Statements (continued)**  
*for the year ended 31 December 2021*

**13 Derivative financial instruments**

The Company has financial assets and liabilities measured at fair value through profit or loss. These have been disclosed as derivative financial instruments in Debtors and Creditors: amounts falling due within one year, in notes 11 and 12 respectively.

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for foreign currency receivables. At 31 December 2021, the outstanding contracts have matured (2020: within 12 months of the year end). The Company is committed to buy or sell in nil (2020: 25) foreign currencies for a fixed Euro amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable outputs. The key assumptions used in valuing the derivatives are the exchange rates for Euro to 25 foreign currencies.

**14 Called up share capital**

	2021	2020
	€m	€m
<i>Authorised, allotted, issued and fully paid</i>		
1,467,335 (2020: 1,467,335) ordinary shares of €1 each	2	2

All share capital is classified as total 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.

**15 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.
Share premium account	Amount subscribed for share capital in excess of nominal value.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

**16 Immediate and ultimate parent company**

The immediate and ultimate parent company of the Company is Akzo Nobel N.V., a company incorporated in the Netherlands. The only group in which the results of the Company are consolidated is that headed by the ultimate parent company, Akzo Nobel N.V. Copies of the Akzo Nobel N.V. Annual Report and Financial Statements are available to the public and may be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, Netherlands or online at: <https://akzonobel.com/en/investors>.

**17 Post Balance Sheet Events**

On 23 May 2022, the Company cancelled its Share Premium account and returned funds in the amount of €716m to its shareholder, Akzo Nobel N.V. On the same day, the Company declared an interim dividend of €180m to its shareholder, Akzo Nobel N.V. The funds were paid to Akzo Nobel N.V. on 12 July 2022.