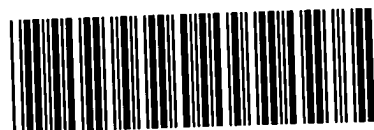


Company Registration No. 00464919 (England and Wales)

U-POL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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U-POL LIMITED

COMPANY INFORMATION

Directors	J I Blenkinsopp M H Pentecost (Appointed 23 March 2023)
Company number	00464919
Registered office	U-Pol Tech Centre Denington Road Denington Industrial Estate Wellingborough Northamptonshire United Kingdom NN8 2QH
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL

U-POL LIMITED

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U-POL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022 in respect of U-POL Limited ("the company").

Principal business objectives and strategies for achieving them

The principal activity of the company in the year under review was as a specialist supplier for the automotive repair industry supplying Bodyshop's directly and through our Channel Partners and a supplier of protective coatings used in a wide variety of applications through trade and retail outlets. The company has and will continue to invest in the development of its employees.

The principal business objective is to maximise longer term shareholder value. Our key strategies for achieving this are i) to be safety focused by conducting our global operations in the safest possible manner ii) by being marketing and technology driven, listening to our customers and delivering solutions for them iii) by investing in new product development to anticipate and exceed our customers' expectations iv) to be uncompromising on quality and integrity v) by recruiting and retaining employees of the highest calibre enabling them to work in an inclusive and empowered environment and vi) by being performance orientated across the organisation.

Markets

Export accounts for 75% of total business (2021: 73%).

Results and review of the business

The profit and loss account is set out on page 13 and shows the company generated sales of £77.8 million (2021: 79.2 million), a decrease of 2% and profit before tax of £17.3 million (2021: £20.3 million), a decrease of 15%. At 3 December 2022, net assets were £187.0m (2021: £171.1m).

In order to support the directors role to promote its long term success the business at every level is operated under prudent and tightly managed controls. All costs and processes are under constant review and we look for efficiencies and savings wherever possible. Costs are analysed and reported monthly to keep overheads under control and protect margins.

2022 saw a decrease in sales of 2% – mainly due to the conflict in Russia which meant sales to that region stopped, plus a spike in raw materials prices which were reflected in our own price increases and forced sales in the Africa & Middle East markets to slightly contract year on year. For these reasons our profit before tax also declined year on year. We will continue to invest in our sales structure across the World, with future growth coming in particular from increasing our Market share in Retail Customers in North America, further investment in new products plus continual investment in our key facilities and equipment and in our employees in order to keep growing the business. A new aerosol line was installed during 2022 which enabled us to further increase our sales in that category and continue in to 2023. Our net assets position remains strong year on year with significant working capital and liquidity.

Key performance indicators

The key financial performance indicators for the company, considered by the board, are turnover, profit before tax and net assets which have been discussed within the above section.

In addition to key financial performance indicators, the company also monitors a number of key non-financial performance indicators. As health and safety is considered paramount, the number of reported accidents is monitored across the year. During the period there were 15 reported accidents (2021: 15). Management's focus is on reducing health and safety incidents with a focus on staff training whilst also clearly emphasising to stakeholders within the business the importance of health and safety. The company also aims to maintain high service levels to customers. The target remains to achieve 97% on time in full delivery to customers during multiple periods.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. The directors have prepared forecasts for a period up to 31 August 2024. In preparing those forecasts they have considered a plausible downside scenario in which, trading will continue at similar levels to that achieved during the year ended 31 December 2022 and have accordingly not incorporated expected sales growth. The directors also note that the company has positive cash, significant net current assets and net assets position as at the balance sheet date and as at the date of approving these financial statements. Consequently, the directors are confident that the company is in a robust financial position and will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

U-POL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

The directors are of the opinion that the company has adopted a thorough risk management process that involves the formal review of all the risks identified below. The board monitors and reviews on a regular basis, in order to mitigate each risk area.

Market risk

The company operates in a competitive market where continuing growth is dependent upon consolidating on existing customer relationships and developing new income streams. U-POL has built strong customer relationships with key distributors in the most important markets in which we trade (UK, US, France, Australia, Poland, Middle East & Africa). Our key account management and marketing efforts within these markets ensures that our brands are an important part of our distribution partners offer in the automotive aftermarket space. U-POL's heritage is in Automotive Body Filler's but we have continued to deepen our relationships and partnerships with key customers by widening our offer and increasing our share of wallet through innovation. Predominantly this is through growing in the Paint aerosols category, and in Textured Protective Coatings with our RAPTOR brand. Over 20% of U-POL's revenue is from products developed in the last 5 years.

How we grow the business is primarily through two key avenues. U-POL's historical strength is in the breadth of distribution partnerships in the 'professional automotive aftermarket space'. In recent years, we have grown considerably in the 'Retail automotive aftermarket' space and this additional channel penetration will be a continued engine of growth over the next 3 to 4 years. Additionally, with the acquisition of U-POL by Axalta Coating Systems, we are able to leverage Axalta's end-user (body-shop) relationships to drive more specification of U-POL's products, which in turn will create more 'pull' of our product line through our traditional distribution partners. These are the two key strategic thrusts which will continue to deliver growth to U-POL over the next 3-4 years'

Economic downturn

The success of the business is reliant on consumer spending and an economic downturn, resulting in a reduction of consumer spending power, may have a direct impact on the income achieved by the company. In response to this risk, the company supplies into different jurisdictions so as to avoid reliance on any one location as far as possible. Management also monitor economic conditions at national and global levels.

Raw material input costs and inflation

Commodity costs forming the company's raw material inputs into products can fluctuate dependent upon global events. Management continually monitor input costs and seek to minimise the impact by forward purchasing and trading in multiple currencies. Where appropriate, product cost increases will be based onto the company's customer base. To try and mitigate general inflationary pressures, the company looks to achieve economies of scale as far as possible, as a member of the Axalta Coating Systems Ltd international group through central procurement.

COVID-19

While the current financial year has been post-pandemic and largely unaffected, management continued to apply strong working capital practices in order to maximise operational cash flow. The directors continue to be confident in the ability of the company and the management team to navigate the uncertainties created by COVID-19, coupled with the financial strength and support that comes with the company being part of a significant, multi-national group, in Axalta Coating Systems Ltd.

Russia and Ukraine conflict

On 24 February 2022 Russian Forces entered Ukraine, resulting in western nation reactions including the announcement of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The directors have carried out an assessment of the potential impact on the business, including the risk of breaching any sanctions and have concluded that the greatest impact continues to be from the economic ripple effect on the global economy. Since the sanctions have been implemented, there has been limited activity with the company's subsidiary investment, U-POL Russia LLC and always in accordance with sanction legislation.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including cash flow, credit and liquidity risks. These specific risks, their impact on the company and how these risks are mitigated are dealt with below. The company currently does not use derivatives to manage financial risk.

U-POL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

(continued)

Cash flow risk

The company's activities expose it to the financial risk of changes in foreign currency exchange rates. The company may consider the use foreign exchange forward contracts to hedge its exposures where appropriate, but have not adopted this in either the current or prior year, seeking to naturally hedge through the matching of the same foreign currency receipts and payments.

Credit risk

The company's principal financial assets are bank balances, trade and other debtors and amounts due from group undertakings. Its credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The company maintains strong relationships with its customer base and has no significant concentration of credit risk, with exposure spread over a large number of customers.

The credit risk in liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit ratings agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company monitors the timing of cash flows and aligns this with its strategic planning. Forecasts are produced to assist management in identifying liquidity requirements and maintaining adequate resources. The company's primary source of finance is the operating cash flow it generates.

Future developments

Given the development of the business during the year and its position within the marketplace, the directors believe the company is in a strong position to further develop its business and customer base, with the support and assistance of the Axalta Coating Systems Ltd group.

Environment

The company is committed to reducing the quantity of waste through its production process and has invested in capital equipment and revised processes in order to achieve this.

Streamlined Energy and Carbon Report (SECR)

UK energy use and associated greenhouse gas emissions

The company is pleased to report its current and historic UK based annual energy usage and associated annual greenhouse gas emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations").

Organisational boundary

In accordance with the 2018 Regulations, the energy use and associated greenhouse gas emissions are for those within the UK only that come under the operational control boundary. Therefore, energy use and emissions are aligned with financial reporting for the UK subsidiaries and exclude the non-UK based subsidiaries that would not qualify under the 2018 Regulations in their own right.

Reporting period

The annual reporting period is 1 January to 31 December each year and the emissions and energy reporting are aligned to this period.

Quantification and reporting methodology

This report was compiled independently by energy consultants Briar (Briar Consulting Engineers Limited). The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed to ensure the Streamlined Energy and Carbon Reporting ("SECR") requirements were met and exceeded where possible.

U-POL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Quantification and reporting methodology (continued)

Electricity and gas consumption were based on invoice records, while mileage was used to calculate energy and emissions from fleet vehicles and grey fleet. Gross calorific values were used except for mileage energy calculations as per Government GHG Conversion Factors.

The emissions are divided into mandatory and voluntary emissions according to the 2018 Regulations, then further divided into the direct combustion of fuels and the operation of facilities (scope 1), indirect emissions from purchased electricity (scope 2) and further indirect emissions that occur as a consequence of company activities but occur from sources not owned or controlled by the organisation (scope 3).

Estimations

Estimates have been used where landlord and supplier invoices have not been available, but this is not expected to make a material impact. Where we occupy serviced office spaces, benchmarks have been used to estimate energy consumption due to the lack of metering or invoicing.

Breakdown of energy consumption used to calculate emissions (kWh)

Breakdown of energy consumption used to calculate emissions (kWh):	Year ended 31 December 2022	Year ended 31 December 2021
Gas	1,170,992	1,416,590
Fuel oil	-	141,254
Electricity (grid)	1,527,571	1,191,811
Transport fuel	359,077	249,767
Total gross energy consumed	3,057,541	2,999,422

Breakdown of emissions associated with the reported energy use (tCO₂e)

Breakdown of emissions associated with the reported energy use (tCO ₂ e)	Year ended 31 December 2022	Year ended 31 December 2021
Scope 1		
Gas	223.0	260.0
Fuel oil	-	37.9
Company-owned vehicles	57.8	43.9
Total Scope 1	280.8	341.8
Scope 2		
Electricity (grid)	295.4	253.1
Total Scope 2	295.4	253.1
Scope 3		
Employee-owned vehicles where company purchases the fuel	30.8	17.5
Total Scope 3	30.8	17.5
Total gross emissions	607.0	612.4

As can be seen from the above, there has been reduction in the fuel oil usage during the year from 141,254 kWh to nil kWh in the current year. The reason for this is during the year ended 31 December 2021, the company switched from using oil for heating to gas. The company has continued to use gas for heating in the current year and therefore, this is the reason for there being no fuel oil usage in the current year.

U-POL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Intensity ratios

Due to the differing manufacturing processes and mix of products, and the way in which manufacturing throughput is measured, we have chosen an intensity ratio of total gross emissions in metric tonnes CO₂e per million pounds of turnover (tCO₂e / £m).

This year, a secondary intensity ratio of total gross emissions in metric tonnes CO₂e per square meter floor area was also included. We believe that these two metrics are considered the most relevant to the Company's energy consuming activities and provides a good comparison of performance over time and across different organisations and sectors.

Intensity ratio

	Year ended 31 December 2022	Year ended 31 December 2021
Tonnes of CO ₂ e per £m	7.80	7.73
Tonnes of CO ₂ e per square meter floor area	0.065	0.069

Energy efficiency action during current financial year

During the reporting year, U-POL continued their ad-hoc project of upgrading existing lighting to LEDs. This is a continuation of pilot trials that begun in 2021.

Section 172 (1) Companies Act 2006

The directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment; and
- The desirability of the company maintaining a reputation for high standards of business conduct.

The directors work to promote the success of the company, by considering the impact that their decisions may have on the company, along with the company's stakeholders. The issues and factors which have guided the directors' decisions are outlined in the 'review of business' and the 'principal risks and uncertainties' sections within this report.

Reputation is of key importance to the company and the directors who always consider reputational impact in taking decisions and encourages high standards of business conduct.

The company's key stakeholders include, but are not limited to:

- Employees;
- Customers;
- Suppliers; and
- Local communities and environment in which the company is based

The directors of the company promote good governance, which is key to drive the success of the company. The directors also aim to achieve the overall strategic objectives of the U-POL group, as well as continuing good relationships with all key stakeholders who are critical to the long-term success of the company.

Having regard to employees' interests

The board attaches great importance to the skills and experience of the management and employees of the company. Its aim is to retain the best talent and believes that they will benefit from the opportunities within the company. Opportunities for further professional and career development are on offer for employees through relevant training courses and qualifications.

The board is committed to consulting, as appropriate, with relevant employees and employee representatives on a regular basis and has worked hard to ensure effective communication with all employees during the year.

U-POL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The company has a number of initiatives including a commitment to create a working environment where everyone has the opportunity to learn, develop and contribute to the success of the company, whilst working within a common set of values. Regular updates on business performance KPIs through various channels are provided and an element of employee reviews is linked to the financial success of the company, amongst other appraisal criteria. In addition, appropriate whistleblowing procedures are available that employees are comfortable using.

Further information on the company's employee policies is contained within the directors' report.

Fostering business relationships

The company aims to be the first choice for customers' needs, enabling them to enjoy the full value of their relationship with the business. The company builds long term customer relationships by providing unrivalled levels of service and an offering which is unmatched in its flexibility. We maintain strong relationships across our supply chain through regular contact and meetings with our suppliers. We encourage our customers and suppliers to raise any issues or concerns they have over their relationship with the company, incorporating all aspects (legal, commercial, operational etc.) and offering dedicated points of contact within our team to provide the building of long-term business relationships.

These relationships contribute to the company's competitive advantage. They not only enable us to execute our strategy efficiently, but also help customers and suppliers plan their business, managing cash flow and production. The company also engages actively with suppliers to make sure they fully comply with our code of conduct for suppliers and partners, which includes provisions on human rights and environmental standards.

Impact on community and environment

The company values the communities in which it operates, and its aim is for its business activities to have a positive impact on them.

The company will continue to promote green technology and initiatives to protect our environment, as well as being a contributor to the economies it operates in. We continue to seek to reduce the environmental impact of our business. The business is committed to delivering a corporate social responsibility strategy that sets the overall aim to be environmentally responsible, a good neighbour and a great place to work

Maintaining high standards of business conduct

The directors are committed to operating the company in a responsible manner, operating with high standards of business conduct and good governance.

Research and development

The company pursues a programme for the development of new products and enhancements of existing products. Costs incurred during the year were £1.4 million (2021: £1.1 million) and have been charged against profits.

On behalf of the board



J I Blenkinsopp
Director

Date: 8 August 2023

U-POL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Results and dividends

The results for the year are set out on page 13.

No ordinary dividends were paid (2021: nil). The directors do not recommend payment of a final dividend (2021: nil).

Directors

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

J I Blenkinsopp

G H Williams

F Dolan

M H Pentecost

(Appointed 29 June 2022 and resigned 23 March 2023)

(Resigned 29 June 2022)

(Appointed 23 March 2023)

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement and engagement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

An element of employee reward is linked to the financial success of the company, amongst other appraisal criteria as a means of further encouraging the involvement of employees in the company's performance.

Further information on employee engagement is provided within the strategic report under section 172 (1) of the Companies Act 2006 and it forms part of this report through cross-reference.

Auditor

Johnston Carmichael LLP were appointed as auditor to the company during the year and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Future developments, research and development activities, engagement with suppliers, customers and others, financial risk management objectives and policies and disclosures concerning energy and carbon

The above items have been provided within the strategic report and form part of this report through cross-reference.

Overseas branches

The company has a South African branch.

U-POL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the profit or loss of the company for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



J I Blenkinsopp
Director

Date: 8 August 2023

U-POL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF U-POL LIMITED

Opinion

We have audited the financial statements of U-POL Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its 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.

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 responsibilities for the audit of the financial statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

U-POL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF U-POL LIMITED

Matters on which we are required to report by exception

In the light of our 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 and 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 statement of directors' responsibilities, 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent to which the audit is considered 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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

U-POL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF U-POL LIMITED

Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that are applicable to company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK Generally Accepted Accounting Practice
- Companies Act 2006
- Tax legislation (UK)
- Health and safety legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that financial statements were free of material fraud or error:

- Performing audit work procedures confirming the completeness of revenue recognised within the financial statements, including a reconciliation of sales orders to the sales ledger by value, tracing a sample of sales from the point of initiation through to the sales ledger ensuring sales have been accurately recorded, and performing appropriate cut-off procedures at the year end;
- Reviewing the level and reasoning behind the company's procurement of legal and professional services;
- Review of key documentation confirming ongoing compliance with health, safety and environmental requirements;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements 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 intentional concealment, forgery, collusion, omission or misrepresentation. 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.

U-POL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF U-POL LIMITED

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.

Johnston Carmichael LLP

Stephen McIlwaine (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

Date: 15/08/2023...

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

U-POL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Turnover	4	77,775	79,185
Cost of sales		(56,348)	(55,228)
Gross profit		21,427	23,957
Distribution costs		(1,489)	(1,193)
Administrative expenses		(17,610)	(12,957)
Other operating income	5	11,690	10,106
Operating profit	6	14,018	19,913
Interest receivable and similar income	10	3,266	381
Interest payable and similar expenses	11	(17)	(15)
Profit before taxation		17,267	20,279
Tax on profit	12	(1,434)	(2,772)
Profit for the financial year		15,833	17,507

The profit and loss account has been prepared on the basis that all operations are continuing operations.

U-POL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £'000	2021 £'000
Profit for the year	15,833	17,507
Other comprehensive income		
Currency translation differences	-	(1)
Total comprehensive income for the year	<u>15,833</u>	<u>17,506</u>

U-POL LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£'000	£'000	as restated £'000	£'000
Fixed assets					
Tangible assets	13		9,613		6,362
Current assets					
Stocks	16	9,930		8,331	
Debtors	17	206,107		189,470	
Cash at bank and in hand		12,223		15,400	
		<u>228,260</u>		<u>213,201</u>	
Creditors: amounts falling due within one year	18	<u>(49,946)</u>		<u>(47,780)</u>	
Net current assets			178,314		165,421
Total assets less current liabilities			187,927		171,783
Provisions for liabilities					
Deferred tax liability	19	<u>977</u>	(977)	<u>666</u>	(666)
Net assets			<u>186,950</u>		<u>171,117</u>
Capital and reserves					
Called up share capital	21		15		15
Foreign exchange reserve	21		7		7
Other reserve	22		407		407
Profit and loss reserves	21		186,521		170,688
Total equity			<u>186,950</u>		<u>171,117</u>

The financial statements were approved by the board of directors and authorised for issue on 8 August 2023 and are signed on its behalf by:



J I Blenkinsopp
Director

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Company Registration No. 00464919

U-POL LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Foreign exchange reserve	As restated Other reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	15	8	407	153,181	153,611
Year ended 31 December 2021:					
Profit for the year	-	-	-	17,507	17,507
Other comprehensive income:					
Currency translation differences	-	(1)	-	-	(1)
Total comprehensive income for the year	-	(1)	-	17,507	17,506
Balance at 31 December 2021	15	7	407	170,688	171,117
Year ended 31 December 2022:					
Profit and total comprehensive income for the year	-	-	-	15,833	15,833
Balance at 31 December 2022	15	7	407	186,521	186,950

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

U-POL Limited ("the company") is a private company limited by shares incorporated in England and Wales. The registered office is U-Pol Tech Centre Denington Road, Denington Industrial Estate, Wellingborough, Northamptonshire, United Kingdom, NN8 2QH. The principal activities of the company and the nature of its operations are set out in the strategic report on page 1.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As a qualifying entity, the company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- The requirements of Section 7 Statement of Cash Flows and paragraph 3.17(d) in respect of presenting a statement of cash flows;
- The requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) in respect of certain basic financial instrument requirements; and
- The requirements of paragraph 33.7 in respect of key management personnel compensation.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The details of the ultimate parent undertaking in which the company is consolidated are provided in note 26.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have prepared forecasts for a period up to 31 August 2024. In preparing those forecasts they have considered a plausible downside scenario in which, trading will continue at similar levels to that achieved during the year ended 31 December 2022 and have accordingly not incorporated expected sales growth. The directors also note that the company has positive cash, significant net current assets and net assets position as at the balance sheet date and as at the date of approving these financial statements.

Consequently, the directors are confident that the company is in a robust financial position and will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is measured at the fair value of the consideration receivable which generally equates to the invoiced amount, excluding value added tax. Turnover for sales of goods is recognised at the point at which the entity has transferred to the buyer the significant risks and rewards of ownership of the goods in accordance with the Incoterms. Depending on the terms of each sale this will either be at the point that goods have been dispatched from the warehouse or alternatively loaded onto the vessel at the port of departure. Incoterms are in accordance with ICC 2010.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold property	2% to 10% straight line basis
Leasehold improvements	2% to 10% straight line basis
Plant, equipment and fittings	4% to 33% straight line basis
Motor vehicles	40% for 1st year then 20% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss. Land is not depreciated.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss, under interest and similar income or expenses.

1.15 Interest receivable

Interest receivable is recognised in profit or loss using the effective interest method.

2 Prior year adjustment - change in accounting policy

On 15 September 2021, 100% of the share capital of U-POL Holdings (including its subsidiaries, collectively known as "the group"), was acquired by Axalta Coating Systems UK Holding Limited ("Axalta"). During the year ended 31 December 2022, Axalta continued to integrate the group. It was noted that the company's accounting policy in relation to certain classes of fixed assets (namely freehold property and plant, equipment and fittings), had been measured using a revaluation policy. This is inconsistent with Axalta's accounting policies for measuring such asset classes in the UK, which is cost. As such the directors have decided to adopt a change in accounting policy in respect of these fixed asset classes, from a revaluation to a cost measurement, in order to ensure the company is consistent with Axalta's accounting policies.

3 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Depreciation of tangible fixed assets

Management estimation is required to determine the appropriate asset lives over which to depreciate the company's tangible fixed assets, in light of ongoing technological development and the company's strategic plans. The depreciation policy is detailed in note 1.5, and the depreciation charged in the year is shown in note 13.

There are no other key judgements or sources of estimation in these financial statements.

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4 Turnover and other revenue

	2022 £'000	2021 £'000
Turnover analysed by geographical market		
United Kingdom	19,479	21,697
Europe	15,494	15,575
Rest of the world	42,802	41,913
	<u>77,775</u>	<u>79,185</u>

The turnover of the company for the year has been achieved from its principal activity and single class of turnover, being product sales.

5 Other operating income

Other income of £10,652k (2021: £10,106k) relates to intercompany management service income.

6 Operating profit

	2022 £'000	2021 £'000
Operating profit for the year is stated after charging:		
Research and development costs	1,183	1,145
Depreciation of owned tangible fixed assets	1,283	1,095
Loss on disposal of tangible fixed assets	60	-
Operating lease charges	151	142
	<u> </u>	<u> </u>

7 Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	87	91
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	21	48
All other non-audit services	7	-
	<u>28</u>	<u>48</u>

The company pays the audit fees for all companies within the U-POL group as well as itself.

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Employees

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

	2022 Number	2021 Number
Manufacturing	221	209
Distribution and sales	42	40
Administration and management	43	43
Total	306	292

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	12,414	12,747
Social security costs	1,589	1,416
Pension costs	530	513
	14,533	14,676

9 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	309	1,004
Company pension contributions to defined contribution schemes	12	29
	321	1,033

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £'000	2021 £'000
Remuneration for qualifying services	309	583
Company pension contributions to defined contribution schemes	12	17

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest on bank deposits	19	-
Interest receivable from group companies	234	-
Net exchange gain	3,013	381
Total income	<u>3,266</u>	<u>381</u>

11 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest payable to group undertakings	<u>17</u>	<u>15</u>

12 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	1,590	2,501
Adjustments in respect of prior periods	(467)	(6)
Total current tax	<u>1,123</u>	<u>2,495</u>
Deferred tax		
Origination and reversal of timing differences	215	97
Changes in tax rates	68	137
Adjustment in respect of prior periods	28	43
Total deferred tax	<u>311</u>	<u>277</u>
Total tax charge	<u>1,434</u>	<u>2,772</u>

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2021 £'000
Profit before taxation	17,267	20,279
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	3,281	3,853
Tax effect of expenses that are not deductible in determining taxable profit	85	42
Adjustments in respect of prior years	(467)	(6)
Group relief	(1,487)	(1,299)
Deferred tax adjustments in respect of prior years	28	43
Other	(6)	139
Taxation charge for the year	1,434	2,772

The UK corporation tax rate remains at 19% for the full year (2021: 19%). On 3 March 2021, the Government announced that with effect from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. This increase in the corporation tax rate was substantively enacted on 24 May 2021. The deferred tax assets and liabilities as at 31 December 2022 are therefore calculated based on the 25%, in so far as they are not expected to reverse prior to 1 April 2023. Where the deferred tax assets and liabilities are expected to reverse before April 2023, the deferred tax has been calculated at 19%.

13 Tangible fixed assets

	Freehold property £'000	Leasehold improvements £'000	Plant, equipment and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2022 (as restated)	2,298	712	16,046	476	19,532
Additions	-	-	4,520	95	4,615
Disposals	(3)	(416)	(4,395)	(91)	(4,905)
At 31 December 2022	2,295	296	16,171	480	19,242
Depreciation and impairment					
At 1 January 2022	145	445	12,153	427	13,170
Depreciation charged in the year	48	30	1,152	53	1,283
Eliminated in respect of disposals	-	(416)	(4,317)	(91)	(4,824)
At 31 December 2022	193	59	8,988	389	9,629
Carrying amount					
At 31 December 2022	2,102	237	7,183	91	9,613
At 31 December 2021 (as restated)	2,153	267	3,893	49	6,362

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Tangible fixed assets (Continued)

For information on the prior year restatement please see note 2.

14 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	15	222	222
		<u>222</u>	<u>222</u>

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Country	Nature of business	Class of shares held	% Held Direct
U-POL Canada Limited	Canada	Distribution of automotive refinish products	Ordinary	100.00
U-POL Netherlands B.V.	Netherlands	Distribution of automotive refinish products	Ordinary	100.00
U-POL Russia LLC	Russia	Distribution of automotive refinish products	Ordinary	100.00

Registered office addresses:

Canada	108 Commerce Way, Easton, PA 18040, USA
Netherlands	Hoogoorddreef 15, Amsterdam, 1101BA
Russia	Office 11 and 12b, Building 1, 14 Nizhniaya Street, Moscow, 125040, Russia

16 Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	4,977	3,646
Finished goods and goods for resale	4,953	4,685
	<u>9,930</u>	<u>8,331</u>

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Debtors

	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	13,279	12,191
Corporation tax recoverable	-	528
Amounts owed by group undertakings	191,692	175,519
Other debtors	1,136	1,232
	<u>206,107</u>	<u>189,470</u>

Amounts due from group undertakings include a loan of £8,000,000 which accrues interest at 5.75% per annum. This loan is repayable on demand and unsecured.

The remaining amounts due from group undertakings are unsecured, interest free and repayable on demand.

18 Creditors: amounts falling due within one year

	2022	As restated 2021
	£'000	£'000
Trade creditors	12,457	11,916
Amounts owed to group undertakings	33,774	31,210
Corporation tax	427	-
Other taxation and social security	346	346
Accruals and deferred income	2,942	4,308
	<u>49,946</u>	<u>47,780</u>

Amounts owed to group undertakings include a loan of £300,000 on which interest accrues at a rate of 5.7%. This loan is repayable on demand and unsecured.

The remaining amounts owed to group undertakings are unsecured, interest free and repayable on demand.

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022	Liabilities 2021
Balances:	£'000	£'000
Fixed asset timing differences	1,004	761
Short term timing differences	(27)	(95)
	<u>977</u>	<u>666</u>

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Deferred taxation (Continued)

	2022 £'000
Movements in the year:	
Liability at 1 January 2022	666
Charge to profit or loss	311
Liability at 31 December 2022	<u>977</u>

20 Retirement benefit schemes

	2022 £'000	2021 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>518</u>	<u>513</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At 31 December 2022 there was no amounts outstanding in respect of this (2021: nil).

21 Share capital and reserves

	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>	<u>15</u>	<u>15</u>

Profit and loss reserves

Profit and loss reserves represent cumulated retained profits and losses less cumulative dividends.

Foreign exchange reserve

The foreign exchange reserve represents cumulative translation differences in respect of aggregating the company's South Africa branch.

22 Other reserve

	2022 £'000	As restated 2021 £'000
At the beginning and end of the year	<u>407</u>	<u>407</u>

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Other reserve

(Continued)

Using the company's transition to FRS 102 as a reference point (being illustrated within the company's financial statements for the year ended 31 December 2015), the transition provisions within FRS 102 allow historic revaluations to be treated as deemed cost at the date of transition to FRS 102. As such any revaluations subsequent to this have been reversed (with only one revaluation happening within the financial statements for the year ended 31 December 2018). The change in accounting policy has been applied retrospectively and as a result, the comparative information has been restated within these financial statements.

The impact of this change in accounting policy has resulted in the reduction in tangible fixed asset cost (freehold property) by £1,154,000, with the same reduction in the previous revaluation reserve by £1,154,000. The residual revaluation reserve balance of £407,000 has been transferred to a separate non-distributable other reserve, which will be realised on disposal of the freehold property. Overall, net assets of the company have decreased by £1,154,000.

23 Financial commitments, guarantees and contingent liabilities

The company forms part of the UK group security arrangement under its intermediate parent company, Axalta Coating Systems UK Holding Limited, whereby the company's share capital and assets are secured in respect of UK financing from Barclays Bank PLC.

24 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £'000	2021 £'000
Within one year	146	173
Between two and five years	539	484
In over five years	-	75
	<u>685</u>	<u>732</u>

25 Related party transactions

The company has taken advantage of the exemption available in accordance with Section 33 of FRS 102 'Related party disclosures' not to disclose transactions entered into between two or more members of the group, as the company is a wholly owned subsidiary undertaking of the group which is party to the transaction.

U-POL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

26 Ultimate controlling party

The company is a wholly owned subsidiary of U-POL Products Limited, a company registered at U-Pol Tech Centre Denington Road, Denington Industrial Estate, Wellingborough, Northamptonshire, NN8 2QH.

The ultimate parent undertaking and controlling party is Axalta Coating Systems Ltd, incorporated in Bermuda, which is the parent undertaking of the largest and smallest group to consolidate these financial statements.

Copies of these group financial statements can be obtained from either C/O Codan Services Limited, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda or the Axalta Coating Systems Ltd website at <https://ir.axalta.com/investors/sec-filings/annual-reports/default.aspx>.