

Company Registration No. 07330274 (England and Wales)

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



U-POL FINCO LIMITED

COMPANY INFORMATION

Directors	J I Blenkinsopp M H Pentecost	(Appointed 23 March 2023)
Company number	07330274	
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 FINCO LIMITED

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U-POL FINCO 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 Finco Limited ("the company").

Principal activities and review of the business

The principal activity of the company in the year under review was that of an intermediate holding company with no active trade. These financial statements contain information about U-POL Finco Limited as a standalone entity and do not contain consolidated financial information as a parent company.

The loss after taxation for the financial year amounted to £0.9 million (2021: £5.2 million). The losses represent interest expense on fixed rate guaranteed and unsecured loan notes; the decrease in the loss year on year is on account of repayment of loan notes during the prior year. The company's net assets as at 31 December 2022 were £61.6m (2021: £62.5m).

Key performance indicators

The key financial performance indicators for the company, considered by the board are result after tax and net assets. As the business is a holding company and simplistic in nature, the directors do not utilise non-financial key performance indicators to govern the company.

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.

Recoverability of subsidiary investments

The company's future revenue stream is dependent upon dividends being declared from its subsidiary investments, which are subject to economic and market risks affecting their financial performance and return to the company. This includes potential changes to the carrying value of subsidiary investments impacting the company's net asset value (i.e. through impairment). In order to mitigate these risks, the directors seek to ensure that the subsidiary investments trade profitably, with a focus on returning value to the shareholder. They do this through oversight and providing support to subsidiary management as required.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. As a holding company, the company has no requirement for cash as it does not trade and therefore has no cash reserves of its own; as such, any central costs are met by the company's trading subsidiaries. The company is also in a net intercompany debtor position in respect of its working capital and as such there is no exposure in respect of its liabilities position. The directors have considered a period of at least 12 months from the date of approval of these financial statements and expect no significant change in the company's prospects.

The company's purpose is linked to the continuation of its subsidiary investments and in accordance with normal governance requirements, for those UK subsidiaries preparing financial statements, appropriate going concern assessments have been undertaken at each UK subsidiary level, with all these financial statements being prepared on a going concern basis.

U-POL FINCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 and its subsidiaries (collectively known as "the group") 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 group's employees;
- The need to foster the group's relationships with suppliers, customers and others;
- The impact of the group's operations on the community and the environment; and
- The desirability of the group maintaining a reputation for high standards of business conduct.

The directors work to promote the success of the group, by considering the impact that their decisions may have on the group, along with the group'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 group and the directors who always consider reputational impact in taking decisions and encourages high standards of business conduct.

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

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

The directors of the group promote good governance, which is key to drive the success of the group. 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 group. Opportunities for further professional and career development are on offer for employees through relevant training courses and qualifications.

Having regard to employees' interests

The board attaches great importance to the skills and experience of the management and employees of the group. Its aim is to retain the best talent and believes that they will benefit from the opportunities within the group.

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.

The group 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 Group, whilst working within a common set of values. Regular updates on business performance KPIs through various channels are provided and an element of employee reward is linked to the financial success of the group, amongst other appraisal criteria. Appropriate whistleblowing procedure are available that employees are comfortable using.

Fostering business relationships

The group aims to be to the first choice for customers' needs, enabling them to enjoy the full value of their relationship with the business. The group 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 group, incorporating all aspects (legal, commercial, operational etc.) and offering dedicated points of contact within our team to promote the building of long-term business relationships.

These relationships contribute to the group'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 group 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.

U-POL FINCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Impact on community and environment

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

The group 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

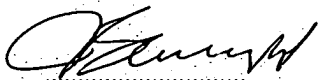
Maintaining high standards of business conduct

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

Future Developments

The company will continue as an intermediate holding company for the foreseeable future. The directors expect the company's subsidiary investments to further develop their business and customer bases, with the support and assistance of the Axalta Coating Systems Ltd group.

On behalf of the board



J I Blenkinsopp
Director

Date: 8 August 2023

U-POL FINCO 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 10.

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)

Auditor

The auditor, Johnston Carmichael LLP, was appointed during the current year and is deemed to be reappointed under section 487(2) of the Companies Act 2006

Streamlined Energy and Carbon Report (SECR)

The company is an investment holding company for a number of subsidiaries (collectively known as "the group") with no active trade or employees. The group qualifies as large and as such is required to disclose SECR; the company's energy use was less than 40,000 kWh in the year and as such is exempt from disclosing SECR in its own right. Within the group, the only subsidiary that is required to disclose SECR in its own right is U-POL Limited and the relevant information is disclosed within the strategic report in U-POL Limited's financial statements for the year ended 31 December 2022.

Employment involvement and engagement

The company has no employees other than the directors and therefore has nothing to report in respect of employee engagement activity during the year.

Financial risk management objectives and policies

As a holding company, the company is not exposed to any significant financial risk and does not use derivatives to manage this.

Future developments

Future developments have been provided within the strategic report and form part of this report through cross-reference.

U-POL FINCO 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 FINCO LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF U-POL FINCO LIMITED

Opinion

We have audited the financial statements of U-POL Finco Limited (the 'company') for the year ended 31 December 2022 which comprise 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 FINCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF U-POL FINCO 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 the 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 FINCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF U-POL FINCO 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)

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

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

- Reviewing the level and reasoning behind the company's procurement of legal and professional services;
- 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 FINCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF U-POL FINCO 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 FINCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Administrative expenses		-	(16)
Interest payable and similar expenses	5	(883)	(5,233)
Loss before taxation		(883)	(5,249)
Tax on loss	6	-	-
Loss for the financial year		(883)	(5,249)

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

U-POL FINCO LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	7		60,960		60,960
Current assets					
Debtors	9	63,761		63,761	
Creditors: amounts falling due within one year	10	<u>(63,115)</u>		<u>(62,232)</u>	
Net current assets			646		1,529
Net assets			<u>61,606</u>		<u>62,489</u>
Capital and reserves					
Called up share capital	11		-		-
Capital contribution reserve	12		155,405		155,405
Profit and loss reserves	11		<u>(93,799)</u>		<u>(92,916)</u>
Total equity			<u>61,606</u>		<u>62,489</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

Company Registration No. 07330274

U-POL FINCO LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £'000	Capital contribution reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2021		-	-	(87,667)	(87,667)
Year ended 31 December 2021:					
Loss and total comprehensive expense for the year		-	-	(5,249)	(5,249)
Capital contribution	12	-	155,405	-	155,405
Balance at 31 December 2021		-	155,405	(92,916)	62,489
Year ended 31 December 2022:					
Loss and total comprehensive expense for the year		-	-	(883)	(883)
Balance at 31 December 2022		-	155,405	(93,799)	61,606

U-POL FINCO LIMITED

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

1 Accounting policies

Company information

U-POL Finco 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 activity 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 unless where otherwise indicated.

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; and
- 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.

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 15.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. As a holding company, the company has no requirement for cash as it does not trade and therefore has no cash reserves of its own; as such, any central costs are met by the company's trading subsidiaries. The company is also in a net intercompany debtor position in respect of its working capital and as such there is no exposure in respect of its liabilities position. The directors have considered a period of at least 12 months from the date of approval of these financial statements and expect no significant change in the company's prospects.

The company's purpose is linked to the continuation of its subsidiary investments and in accordance normal governance requirements, for those UK subsidiaries preparing financial statements, appropriate going concern assessments have been undertaken at each UK subsidiary level, with all these financial statements being prepared on the going concern basis.

1.3 Fixed asset investments

Investments are measured at cost less accumulated impairment.

U-POL FINCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 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.

1.5 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 amounts owed by group undertakings, 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.

U-POL FINCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

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 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.

Derecognition of financial liabilities

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

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 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.

U-POL FINCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

1.8 Finance costs

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

2 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.

Critical judgements

The following judgements have had the most significant effect on amounts recognised in the financial statements.

Carrying value of investments

The directors have considered the carrying value of the investments and considered factors such as the performance of the underlying trading group and the market value of certain assets held by the group undertakings to assess if any impairment charge is required. No impairment indicators have been noted by the directors impacting the current or prior years.

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

3 Auditor's remuneration

	2022	2021
	£'000	£'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	4	3
	<u> </u>	<u> </u>

The company's auditor's remuneration was borne by the indirect subsidiary company, U-POL Limited.

U-POL FINCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Directors' remuneration

Directors' remuneration was borne by other group entities. The notional allocation of cost to the entity was negligible for both current and prior years.

5 Interest payable and similar expenses

	2022 £'000	2021 £'000
On intercompany loan	883	883
On loan notes	-	4,350
	<u>883</u>	<u>5,233</u>

6 Taxation

During the current and prior years there has been no current nor deferred tax. The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2021 £'000
Loss before taxation	(883)	(5,249)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(168)	(997)
Tax effect of expenses that are not deductible in determining taxable profit	-	714
Interest deductible	-	(411)
Group relief surrendered	168	694
Taxation result for the year	<u>-</u>	<u>-</u>

Factors that may affect future current and total tax charges

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.

7 Fixed asset investments

	Notes	2022 £'000	2021 £'000
Investments in subsidiaries	8	<u>60,960</u>	<u>60,960</u>

U-POL FINCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Subsidiaries

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

Name of undertaking	Address	Nature of business	Class of shares held	% Held	
				Direct	Indirect
U-POL Bidco Limited	1	Intermediate holding company	Ordinary	100.00	-
U-POL Acquisition Limited	1	Intermediate holding company	Ordinary	-	100.00
U-POL Bond Limited	1	Intermediate holding company	Ordinary	-	100.00
U-POL Mezzanine Limited	1	Intermediate holding company	Ordinary	-	100.00
U-POL Products Limited	1	Intermediate holding company	Ordinary	-	100.00
U-POL Limited	1	Manufacture and distribution of automotive refinish products	Ordinary	-	100.00
U-POL Russia	2	Distribution of automotive refinish products	Ordinary	-	100.00
U-POL US Corporation	3	Distribution of automotive refinish products	Ordinary	-	100.00
U-POL Canada Limited	4	Distribution of automotive refinish products	Ordinary	-	100.00
U-POL Netherlands	5	Distribution of automotive refinish products	Ordinary	-	100.00

Registered office addresses:

- 1 U-Pol Tech Centre, Denington Road, Wellingborough, Northamptonshire, NN8 2QH, United Kingdom
- 2 14, Nizhnyay Street, Moscow, 125040, Russia
- 3 711 Centerville Road Suite 400, Wilmington, Delaware 19804, USA
- 4 1212-1175 Douglas Street, Victoria, BC, V8W 2E1, Canada
- 5 Hoogoorddreef 15, 1101BA Amsterdam, Netherlands

9 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	63,761	63,761

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

U-POL FINCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Amounts owed to group undertakings	63,115	62,232

Amounts owed to group undertakings include a loan of £11,035,532 which accrues interest at 8% per annum. This loan is repayable on demand and unsecured. The remaining amounts owed to group undertakings are unsecured, interest free and repayable on demand.

11 Share capital and reserves

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	1	1	1	1

Profit and loss reserves

The profit and loss reserves represent retained profits and losses less cumulative dividends.

12 Capital contribution reserve

Following the acquisition of U-POL Holdings Limited and its subsidiaries by Axalta Coating Systems UK Holding Limited on 15 September 2021, the company received investment in the form of capital contribution from U-POL Holding Limited (its immediate parent) amounting to £155.4 million. The company used the funds to repay existing loan notes, including accrued interest, and re-invested the remaining funds in U-POL Bidco Limited in the form of a capital contribution.

13 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.

14 Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of section 33 of FRS 102 'Related party disclosures' on the grounds that it is a wholly owned subsidiary of a group headed by Axalta Coating Systems Limited incorporated.

15 Ultimate controlling party

The company is a wholly owned subsidiary of U-POL Holdings Limited, a company registered at Christchurch House, The Embankment, Wellingborough, England, NN8 1LD.

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>.