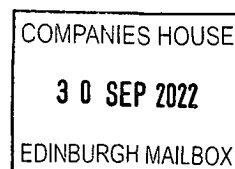


Axalta Coating Systems UK Limited
Annual report and financial statements
for the year ended 31 December 2021

Registered number: 2238419



Axalta Coating Systems UK Limited

Annual report and financial statements

For the year ended 31 December 2021

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Axalta Coating Systems UK Limited

Directors and advisers

Directors

F Dolan

J Blenkinsopp

Company secretary

J Blenkinsopp

Registered office and principal place of business

Axalta Coating Systems UK Limited

Unit 1 Quadrant Park

Mundells

Welwyn Garden City

Hertfordshire

AL7 1FS

Independent auditor

Johnston Carmichael LLP

Bishop's Court

29 Albyn Place

Aberdeen

AB10 1YL

Bankers

Bank of America

2 King Edward Street

London

EC1A 1HQ

Axalta Coating Systems UK Limited

Strategic report for the year ended 31 December 2021

The directors present their strategic report and the audited financial statements of the company for the year ended 31 December 2021.

Principal activities

The company's principal business activity consists of the sale of surface coatings to the OEM, plastic and refinish markets within the automotive industry. No change is expected in the next financial period.

Review of the business and future developments

The company's key financial performance indicators for the year were:

	2021	2020	Change
	£'000	£'000	%
Turnover	40,994	36,357	12.8
Gross profit	15,551	12,956	20.0
EBITDA*	779	56	1,291.1

*EBITDA excludes dividend receipt in 2021 and restructuring costs in 2020

In 2021 turnover increased by 12.8% over the previous year. This was due to the recovery from the covid pandemic and selling price increases, which were applied to offset some of the inflationary raw material increases being incurred by the business. Full year results generated a margin that was higher than prior year. This was driven through continued cost control initiatives and also lower staffing levels following the restructure in 2020.

Axalta Coating Systems UK Limited made a profit for the financial year of £85,424,000 (inclusive of dividend income £85,000,000) (2020: loss of £401,000 inclusive of dividend income £nil) with net assets at the period end of £1,857,429,000 (2020: £1,856,780,000).

In 2022 the business focus will be to continue to drive profitable growth in all business segments supported by the company.

Supplier payment policy

The company recognises the importance of the development of mutually beneficial relationships with its suppliers. It is the company's policy to settle all debts with suppliers on a timely basis, taking account of the credit period given by each supplier.

Cash pooling arrangement

Axalta EMEA has organised a cash pooling arrangement which the company is party to, this is a banking mechanism whereby the balances in our local legal entity accounts with Bank of America sweep into the cash pooling header account within the legal entity on a daily basis.

Axalta Coating Systems UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Cash pooling arrangement (continued)

EUR and USD funds are then lent to or borrowed from the main Cash Pool header entity in Luxembourg based upon the funding needs of the local legal entity for the day. All legal entity pool balances are borrowed from or lent to the Cash Pool header entity at a studied interest rate which is computed using an arms-length OECD review protocol supported by transfer pricing documentation, accrued interest is settled between the legal entities monthly. At 31 December 2021 the cash position lent to Axalta Coating Systems Finance 3 S.a r.l. amounts to the equivalent of £8,520,663 in Euro (2020: £9,669,727).

Safety and the environment

Company policy requires that all operations fully meet or exceed legal and regulatory requirements and staff are continually assessed to maintain the highest standards for the safe operation of facilities and the protection of the environment, the employees and customers, and the people of the community in which the business is conducted.

Financial risk management

In the ordinary course of business, the company is exposed to a variety of financial risks that include foreign exchange risk, liquidity risk and interest rate risk. The policies and procedures in relation to the monitoring of these risks are undertaken in conjunction with the ultimate parent undertaking, Axalta Coating Systems Limited incorporated in Bermuda, which includes entering into contractual arrangements in order to limit the adverse effects on the company's financial performance.

Principal risks and uncertainties

The company operates within the sale of surface coatings to the OEM, plastic and refinish markets within the automotive industry. Quality and reliability of product and brand reputation is critical within this sector and the company has in place a robust process to mitigate this risk by ensuring high quality standards are maintained.

The company's management recognizes that there are several risk factors beyond their control, which could have an impact on the annual results. These include, but are not limited to, global economic conditions, exchange rates, volume and timing of customer orders, increasing competition in a global marketplace, retaining existing customers and changes in the cost and availability of raw materials.

In relation to foreign exchange management, the parent company makes use of financial derivatives, as appropriate and these transactions are not passed down to the subsidiary companies.

The retention of the customer base is a risk which is mitigated by offering a comprehensive and thoroughly tested approach in this market from initial order to aftermarket services.

Covid-19

During the year, the global economy continued to be impacted by the pandemic albeit to a lesser extent than experienced in 2020. Inflationary pressures and increases in raw material costs along with fixed cost inflation and in some cases limited availability of materials which have been sold on allocation detrimentally impacted the profitability of the business.

Despite these testing circumstances the 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 its 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 Limited.

Axalta Coating Systems UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Section 172(1) statement

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 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:

- Customers and clients;
- Employees;
- Suppliers; and
- Local communities 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 Axalta 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.

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 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.

Further information on the Company's employee policies is contained within the Directors' report.

Axalta Coating Systems UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Fostering business relationships

The Company aims to be to 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.

These relationships contribute to the Company's competitive advantage. They not only enable us to execute our strategy efficiently, but also help 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.

Approved and signed on behalf of the board



J Blenkinsopp

Director

29 September 2022

Axalta Coating Systems UK Limited

Directors' report for the year ended 31 December 2021

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2021.

Review of the business and future developments

Please refer to Strategic report on page 2 for further disclosure on the business and future developments.

Results and dividend

The company made a profit for the financial year of £85,424,000 (2020: loss of £401,000), which has been transferred to reserves; this included dividend income received from its subsidiary Axalta Powder Coating Systems UK Limited of £85,000,000 (2020: £Nil).

The directors made a dividend payment of £85,000,000 (2020:£Nil) to its immediate parent Axalta Coating Systems UK Holding Limited, the amount was transferred directly from retained earnings.

Directors

The directors, who held office during the year and up to the date of the signing of the financial statements, are given below:

J Blenkinsopp

F Dolan

Employment of disabled persons

It is company policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of staff who become disabled, and to provide opportunities for the training and career development of disabled employees.

Employee consultation

Considerable importance is placed on the involvement of employees. The management of the company continues to keep staff informed on matters affecting them as employees and on the operating performance of the company. This is done through formal and informal meetings and in-house publications.

Fostering business relationships

Please refer to Strategic report on page 5 for further disclosure in relation to the fostering of business relationships.

Financial risk management

Please refer to Strategic report on page 3 for further disclosure of financial risk management.

Going concern

The directors have considered the expected future cash flows for the business, taking into account potential risks including Covid-19. They expect to continue to have access to sufficient funding through the Group's cash pooling arrangements as discussed in the Strategic Report. As a result, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements.

Branches outside the UK

The company has a branch in the Republic of Ireland.

Axalta Coating Systems UK Limited

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

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

Axalta Coating Systems UK Limited

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

Streamlined energy and carbon reporting

Source of Energy & Emissions	Energy Consumption (MWh)		GHG Emissions (tCO ₂ e)	
	2021	2020	2021	2020
Combustion of Natural Gas	150.79	177.97	27.62	32.72
Combustion of Fuel in Company Vehicles	1,088.78	747.24	264.44	182.19
Other Activities inc. Process & Fugitive	-	-	-	-
Scope 1 Total	1,239.57	925.21	292.05	214.92
Generation of Purchased Electricity	112.57	139.58	23.90	32.54
Scope 2 Total	112.57	139.58	23.90	32.54
Combustion of Fuel in Staff Vehicles	45.16	-	11.11	-
Scope 3 Total	45.16	-	11.11	-
Grand Total	1,397.30	1,064.80	327.06	247.46
Intensity per £m Turnover	34.09	29.29	7.98	6.81

Fuel	Conversion	Factor
Electricity: UK	kg CO ₂ e/kWh	0.23314
Natural gas (Standard UK grid)	kg CO ₂ e/kWh (Gross CV)	0.18387
Petrol (average biofuel blend)	kg CO ₂ e/litre	2.19352
	kg CO ₂ e/kWh (Gross CV)	0.22980

Vehicle Type	Conversion	Factor
Diesel: Small Engine	kWh/mile (Net CV)	0.88092
	kg CO ₂ e/mile	0.22143
Diesel: Medium Engine	kWh/mile (Net CV)	1.05862
	kg CO ₂ e/mile	0.26549
Diesel: Large Engine	kWh/mile (Net CV)	1.33288
	kg CO ₂ e/mile	0.33348
Petrol: Small Engine	kWh/mile (Net CV)	0.99454
	kg CO ₂ e/mile	0.24052
Petrol: Medium Engine	kWh/mile (Net CV)	1.25119
	kg CO ₂ e/mile	0.30231
Petrol: Large Engine	kWh/mile (Net CV)	1.86108
	kg CO ₂ e/mile	0.44914
Unknown Fuel: Average Engine	kWh/mile (Net CV)	1.12170
	kg CO ₂ e/mile	0.27596

Axalta Coating Systems UK Limited

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

Streamlined energy and carbon reporting (continued)

Energy Efficiency Narrative
<p>All scope 1 and 2 sources of energy and emissions have been disclosed as well as mandatory scope 3 sources energy and emissions.</p> <p>During the current financial period following the staff restructure in 2020 the number of office staff have reduced as well as remaining staff working from home, the result of this is large areas of office space have been unused despite training centre usage increasing. PIR sensors have been serviced to prevent unnecessary energy consumption in unused areas.</p> <p>This has allowed us to reduce our energy consumption from utilities by 54 MWh (17%) and associated greenhouse gas emissions by (21%) when comparing to the previous financial year.</p> <p>Further capital expenditures have been postponed as we consider moving to a new site which will better suit our operations.</p> <p>Despite the lower energy consumption due to lockdown restrictions and staff restructure our transport has increased by 51% and overall our energy consumption has increased by (31%) along with greenhouse gas emissions increasing by (32%).</p> <p>Turnover has increased by (12.7%) meaning the energy intensity has increased by (16.4%) and our emissions intensity has increased by (17.2%).</p>
Methodology
<p>Conversion Factors</p> <p>All conversion factors and fuel properties used in this report have been taken from the 2021 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). Average monthly fuel prices have been taken from "retail prices of petroleum products and crude oil price index" published by BEIS. All greenhouse gas emissions have been converted and expressed in terms of their carbon dioxide equivalence.</p> <p>Utilities</p> <p>Energy consumption expressed in kilowatt-hours has been taken from suppliers' invoices. Conversion factors for the average UK generation mix have been used to calculate greenhouse gas emissions.</p> <p>Transport</p> <p>Staff drive leased vehicles and are reimbursed through fuel claims. The fuel type, engine size and mileage are recorded for each claim. The conversion factors for "Cars (by Size)" have been used to calculate greenhouse gas emissions and underlying energy use.</p> <p>Other Fuels & Emissions</p> <p>Maintenance records did not contain any instances of refrigerant leaks during the reference period. No other sources of fugitive emissions have been identified and no other fuels are used.</p>

Approved and signed on behalf of the board



J Blenkinsopp

Director

29 September 2022

Axalta Coating Systems UK Limited

Independent auditor's report to the members of Axalta Coating Systems UK Limited

Opinion

We have audited the financial statements of Axalta Coating Systems UK Limited (the 'company') for the year ended 31 December 2021 which comprise the profit and loss account, statement of comprehensive income, the balance sheet, the statement of changes in equity, statement of accounting policies and notes to the financial statements. 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 2021, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 the audit:

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

Axalta Coating Systems UK Limited

Independent auditor's report to the members of Axalta Coating Systems UK Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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 directors' responsibilities statement set out on page 7, 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.

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 obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations 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 GAAP
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation
- Health and safety and environmental protection legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies and board minutes.

Axalta Coating Systems UK Limited

Independent auditor's report to the members of Axalta Coating Systems UK Limited (continued)

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. In areas of the financial statements where the risks were higher, we performed procedures to address each identified risk. The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures 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; 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Fiona Kenneth (Senior Statutory Auditor)

For and on behalf of Johnston Carmichael LLP

Date: 30 September 2022

Chartered Accountants

Statutory Auditor

Bishop's Court
29 Albyn Place
ABERDEEN
AB10 1YL

Axalta Coating Systems UK Limited

Profit and loss account for the year ended 31 December 2021

		2021	2020
	Note	£'000	£'000
Turnover	1	40,994	36,357
Cost of sales		(25,443)	(23,401)
Gross profit		15,551	12,956
Distribution costs		(13,202)	(11,499)
Administrative expenses		(2,191)	(2,457)
Operating profit/(loss)	2	158	(1,000)
Income from shares in group undertakings		85,000	-
Interest receivable and similar income	5	352	505
Interest payable and similar expenses	6	(2)	(1)
Profit/(loss) before taxation		85,508	(496)
Tax on (loss)/profit	7	(84)	95
(Loss)/profit for the financial year		85,424	(401)

All of the company's activities are continuing.

Axalta Coating Systems UK Limited

Statement of comprehensive income for the year ended 31 December 2021

		2021	2020
	Note	£'000	£'000
Profit/(loss) for the financial year		85,424	(401)
Remeasurement gain recognised on defined benefit pension scheme	15	300	225
Deferred tax movement allocated to actuarial gain	7	(75)	(43)
Total other comprehensive income		225	182
Total comprehensive income/(expense) for the year		85,649	(219)

Axalta Coating Systems UK Limited

Balance sheet as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	1,462	1,559
Investments	10	1,830,225	1,827,725
		1,831,687	1,829,284
Current assets			
Stocks	11	3,434	4,941
Debtors	12	25,974	33,043
Cash at bank and in hand		7,413	4,904
		36,821	42,888
Creditors: amounts falling due within one year	13	(11,079)	(15,392)
Net current assets		25,742	27,496
Total assets less current liabilities		1,857,429	1,856,780
Post-employment benefits	15	-	-
Net assets		1,857,429	1,856,780
Capital and reserves			
Called up share capital	16	58,164	58,164
Share premium account	17	-	1,827,725
Profit and loss account		1,799,265	(29,109)
Total shareholders' funds		1,857,429	1,856,780

The financial statements on pages 13 to 39 were approved by the board of directors on 29 September 2022 and were signed on its behalf by:



J Blenkinsopp
Company Director

Axalta Coating Systems UK Limited

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2020	58,164	-	(28,890)	29,274
Loss for the financial year	-	-	(401)	(401)
Additional paid in capital	-	1,827,725	-	1,827,725
Total other comprehensive income	-	-	182	182
At 31 December 2020	58,164	1,827,725	(29,109)	1,856,780
Profit for the financial year	-	-	85,424	85,424
Transfer Share Premium	-	(1,827,725)	1,827,725	-
Dividend Paid	-	-	(85,000)	(85,000)
Total other comprehensive income	-	-	225	225
At 31 December 2021	58,164	-	1,799,265	1,857,429

Axalta Coating Systems UK Limited

Statement of accounting policies

Company information

Axalta Coating Systems UK Limited is a private company limited by shares incorporated in England, UK. The addresses of its registered office and principal place of business are disclosed in the listing of Directors and advisers on page 1. The company's principal activity is disclosed in the Strategic report on page 2.

Basis of preparation of financial statements

The financial statements have been prepared in accordance with FRS 102-The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The financial statements have been prepared on the historical cost basis as specified in the accounting policies. The accounting policies, which have been applied consistently throughout the period, are set out below.

The financial statements are presented in Sterling (£), which is also the functional currency of the company. The company has adopted the following disclosure exemptions, by virtue of being a qualifying entity in accordance with FRS 102:

- the requirement to present a statement of cash flows and related notes;
- financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, income, expense, gains or losses relating to financial instruments, and exposure to and management of financial risks; and
- the requirement to disclose key management personnel compensation.

Details of the parent undertaking of the group in which the company is consolidated are provided in Note 19. The financial statements contain information about Axalta Coating Systems UK Limited and do not contain consolidated financial information as the parent of the group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Axalta Coating Systems Limited.

Going concern

The directors have considered the expected future cash flows for the business, taking into account potential risks including Covid-19. They expect to continue to have access to sufficient funding through the Group's cash pooling arrangements as discussed in the Strategic Report. As a result the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements.

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, and any legal or contractual provisions that can limit useful life.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the original purchase price of the asset together with costs attributable in making the asset ready for operational use.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost of tangible fixed assets less estimated residual value over their expected useful economic lives which are:

Plant and machinery, fixtures, fittings and equipment	3-15 years
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No depreciation is provided for assets in the course of construction.

At each reporting date tangible fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected assets is estimated and compared with its' carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If any impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight-line basis.

Stocks

Stocks are measured at the lower of cost and net realisable value. In general, cost is determined on a weighted average cost basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and attributable production overheads based on a normal level of activity. Net realisable value is based on the estimated selling price less any estimated completion or selling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Debtors

Short term debtors are measured at transaction price, less any impairment losses for bad and doubtful debts.

Loan receivables are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently they are measured at amortised cost using the effective interest method, less any impairment. Loans receivable within one year are not discounted.

Financial instruments

The company is applying sections 11 and 12 of FRS 102. Basic financial assets and liabilities, which include loans receivable and payable from group undertakings, are initially recorded at the present value of future payments discounted at a market rate of interest. Subsequently they are measured at amortised cost using the effective interest method, less any impairment.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including loans to group undertakings, are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method.

Goodwill and intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

The difference between the cost of undertakings acquired and the fair value of the net assets at the date of acquisition is capitalised as goodwill and amortised on a straight-line basis over its estimated useful life.

Other intangible assets are amortised over their estimated useful economic lives of between 5 and 15 years. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Equity

Called up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all current and prior period retained profits and losses.

Turnover

Turnover represents the amounts invoiced for goods and services supplied excluding Value Added Tax. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is usually either on shipment, or on receipt and acceptance of goods, dependent upon the terms of contract.

Foreign currencies

Transactions denominated in foreign currencies occurring during the course of the year are translated into sterling using the rates of exchange prevailing at the dates of those transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All profits or losses arising on retranslation are taken to the profit and loss account in the year in which they arise.

Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only 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.

Deferred tax is calculated on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Taxation (continued)

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Provisions for liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of expenditure required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the provision is measured at present value using a pre-tax discount rate. The unwinding of the discount is recognised as interest expense in profit or loss in the period it arises.

Pension costs

The cost of the company's defined benefit pension plan is determined using actuarial valuations. Each actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of high-quality sterling-denominated corporate bonds at the balance sheet date and takes into account the term structure of these corporate bond yields relative to the term structure of the scheme's projected liabilities. The mortality rate is based on publicly available mortality tables for the UK. Future pension increases are based on expected future inflation rates for the UK. Further details are given in Note 15.

Contributions in respect of the defined contribution pension scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The company participates in the HPG Pension scheme, which was a group defined benefit scheme operated by Axalta Coating Systems UK Limited. The scheme was closed to new contributions from 1 April 2014. The financial statements recognise the company's share of the net defined benefit liability of the group scheme and associated net defined benefit cost in the year.

The cost of providing benefits under the defined benefit scheme is determined using the project unit credit method and is based on actuarial advice. When a settlement or curtailment occur, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in profit or loss during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance income or cost.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Pension costs (continued)

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Under FRS102 the amount of any surplus should be restricted so that it is no more than the economic benefits that could be realised by the company, either in the form of future refunds or reductions in future contributions.

Employee benefits

The cost of short-term employment benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities

Distribution to equity holders

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

Significant judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Axalta Coating Systems UK Limited

Statement of accounting policies (continued)

Significant judgments and key sources of estimation uncertainty (continued)

Pension assumptions – estimate

Changes in assumptions made in valuing the defined benefit pension deficit could have a significant effect on profit for the year, other comprehensive income and the financial position. These assumptions are reviewed on an annual basis and the most appropriate assumptions selected based on actuarial advice. The assumptions used at the year-end are disclosed in note 15.

Recognition of pension surplus – judgement

Certain assumptions have been adopted for factors that determine the company's liability for pension obligations at the year end and of future returns on pension scheme assets and charges to the income statement. Under FRS102 the amount of any pension surplus should be restricted so that it is no more than the economic benefits that could be realised by the company, either in the form of future refunds or reductions in future contributions. The company does not choose to recognize a surplus on the basis that the company is unable to realise any future economic benefit from the pension scheme asset. This judgement is based upon a number of assumptions including actuarial advice.

Carrying value of intercompany receivables and investments - judgements

Judgements have been made in respect of the amounts of future operating cash flows to be generated by the subsidiary/intercompany counterparty in order to assess whether there has been any impairment of the value of the investment/receivables included within the balance sheet.

Axalta Coating Systems UK Limited

Notes to the financial statements for the year ended 31 December 2021

1 Turnover

The analysis of the company's turnover by geographical destination for the one major class of business, all of which relates to the sale of goods or services, is set out below:

	2021	2020
	£'000	£'000
United Kingdom	39,207	35,091
Rest of Europe	1,787	1,266
	40,994	36,357

2 Operating profit/(loss)

	2021	2020
	£'000	£'000
Operating profit/(loss) is stated after charging/(crediting) the following the following amounts:		
Operating lease payments:		
Land and buildings	233	223
Plant and machinery	188	207
Other	1	1
Amounts written off tangible and intangible fixed assets:		
Depreciation of tangible assets (note 9)	622	634
Foreign currency exchange cost / (income)	315	(59)
Restructuring costs	-	422
Auditors' remuneration:		
For audit of the company's annual financial statements	37	-
For the taxation compliance services	3	-
For audit of the company's annual financial statements (predecessor)	-	109
For the taxation compliance services (predecessor)	-	-

Axalta Coating Systems UK Limited

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

3 Directors' emoluments

	2021	2020
	£'000	£'000
Emoluments of directors		
As executives	261	233
Payments to defined contribution pension schemes	26	25
Total aggregate emoluments	294	265

The above information represents the emoluments of two directors (2020: two).

During the year retirement benefits were accruing to two directors (2020: two) in respect of the defined contribution scheme and one director (2020: one) in respect of the defined benefit pension scheme.

No directors were entitled to receive shares under the long-term incentive scheme (2020: none).

The highest paid director received aggregate emoluments of £179,000 (2020: £158,000), accrued a total of £14,000 (2020: £13,000) in respect of money purchase schemes and accrued a total of £nil (2020: £nil) in respect of the accumulated total of the accrued benefit at the end of the financial year.

4 Staff numbers and costs

	2021	2020
	£'000	£'000
Staff costs:		
Wages and salaries	2,997	2,866
Social security costs	411	447
Other pension costs (note 15)	620	626
	4,028	3,939

The average monthly number of persons employed by the company during the year was 44 (2020: 49).

The company employed staff in the following areas: distribution 41 (2020: 44) and administration 3 (2020: 5).

Axalta Coating Systems UK Limited

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

5 Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest receivable from group undertakings	179	111
Bank interest received	-	15
Net interest on net defined benefit asset	75	150
Other loan interest receivable	98	229
	352	505

6 Interest payable and similar expenses

	2021	2020
	£'000	£'000
Bank interest paid	2	1

7 Tax on (loss)/profit

(a) Analysis of tax in the year

	2021	2020
	£'000	£'000
UK corporation tax on (loss)/profit for the year		
Current year	-	-
Prior year adjustments	136	-
Total current tax	136	-
Deferred taxation: origination and reversal of timing differences	(107)	(85)
Prior year adjustments deferred tax	97	10
Deferred tax change in tax rates	(42)	(20)
Total deferred tax (note 14)	(52)	(95)
Tax on (loss)/profit	84	(95)

Axalta Coating Systems UK Limited

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

7 Tax on (loss)/profit (continued)

(b) Tax expense included in other comprehensive income

	2021	2020
	£'000	£'000
Deferred tax origination and reversal of timing differences	(75)	(43)
Total tax expense included in other comprehensive income	(75)	(43)

(c) Reconciliation of tax credit

	2021	2020
	£'000	£'000
Profit/(loss) before taxation	85,508	(496)
Profit/(loss) before taxation multiplied by effective rate of corporation tax in the United Kingdom at 19% (2019: 19%)	16,247	(94)
Effects of:		
Expenses not deductible for tax purposes	(16,166)	9
Group relief surrendered for nil consideration	(180)	-
Prior year adjustments corporation tax	136	10
Prior year adjustments deferred tax	97	-
Change in tax rates deferred taxes	(50)	(20)
Total tax credit for the year	84	(95)

Tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained above.

Axalta Coating Systems UK Limited

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

7 Tax on (loss)/profit (continued)

(d) Factors affecting future tax charges

As at 31 December 2021 the company had taxable profits of approximately £931,000 (2020: £155,000) before group relief, these profits will be available for offset against profits of companies which form part of the Group Relief arrangement.

The Finance Act 2021 was substantively enacted on the 24 May 2021, this set the main rate of corporation tax from the 1st April 2023 to 25%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

8 Intangible asset

	Licence	Goodwill	Total
	£'000	£'000	£'000
Cost and accumulated amortisation			
At 1 January 2021	800	58,705	59,505
At 31 December 2021	800	58,705	59,505
Net book value			
At 31 December 2021	-	-	-
At 31 December 2020	-	-	-

The goodwill arose on the acquisition of Carrs Birmingham (UK) Limited in 1997 and on the acquisition of HPG Industrial Coatings Limited in 2000.

Goodwill has been fully amortised over its useful economic life of 20 years.

The licence has been fully amortised over its useful life of 5 years.

Axalta Coating Systems UK Limited

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

9 Tangible assets

	Fixtures, fittings and equipment £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 January 2021	888	6,259	6	7,153
Additions	-	-	531	531
Disposals	-	(677)	-	(677)
Reclassifications	-	537	(537)	-
At 31 December 2021	888	6,119	-	7,007
Accumulated depreciation				
At 1 January 2021	577	5,017	-	5,594
Charge for the financial year	89	533	-	622
Disposals	-	(671)	-	(671)
At 31 December 2021	666	4,879	-	5,545
Net book value				
At 31 December 2021	222	1,240	-	1,462
At 31 December 2020	311	1,242	6	1,559

Axalta Coating Systems UK Limited

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

10 Investments

	2021 £'000
Cost	
At 1 January 2021	1,827,725
Additions	2,500
At 31 December 2021	1,830,225
Impairment	-
At 1 January 2021	-
At 31 December 2021	-
Net book value	
At 31 December 2021	1,830,225
At 31 December 2020	1,827,725

On 19 July 2021 the company received a further one ordinary share with a nominal value of £1 from Spencer Coatings Group Limited in exchange for a cash contribution of £2,500,000.

Interest in Group undertakings at 31 December 2021

Subsidiary undertakings	Country of incorporation	Registered office	Principal activity	Holding	%
Axalta Coating Systems Canada Company Direct	Canada	408 Fairall Street Ajax, Ontario, L1S 1R6 Canada	Manufacturer and distributor of industrial coatings and light vehicle products.	Ordinary shares CAD 276.61 1 share	100
Axalta Powder Coating Systems UK Limited Direct	U.K.	Unit 1 Quadrant Park Mundells Welwyn Garden City Herts AL7 1FS	Manufacturer and seller of powder paint products.	Ordinary shares £1.00 1 share	100
Axalta Coating Systems USA Holdings, Inc. Indirect	U.S.A.	2001 Market Street Suite 3600 Philadelphia PA 19103	Holding company of Dura Coat Products, Inc. and Dura Coat Products of	Ordinary shares (common stock) \$0.01 1 share	100

Axalta Coating Systems UK Limited

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

10 Investments (continued)

Subsidiary undertakings	Country of incorporation	Registered office	Principal activity	Holding	%
Dura Coat Products, Inc. Indirect	U.S.A.	5361 Via Ricardo Riverside CA 92509	Manufacturer and seller of industrial coating products.	Ordinary shares (common stock) \$100.00 / share	100
Dura Coat Products of Alabama, Inc. Indirect	U.S.A.	26655 People Road Huntsville AL 35756	Manufacturer and seller of industrial coating products.	Ordinary shares (common stock) \$1.00 / share	100
Spencer Coatings Group Limited Direct	U.K.	6 York Street Aberdeen AB11 5DD United Kingdom	Holding company activities	Ordinary shares £1.00 /share	100
Axalta Coating Systems Tewkesbury UK Limited Indirect	U.K.	Units D1- 04 Northway Trading Estate Ashchurch Tewkesbury GL20 8JH	Manufacturer and seller of industrial coating products.	Ordinary shares £1.00 /share	100
Independent Coatings Group Limited Indirect	U.K.	Kelvin Way West Bromwich West Midlands B70 7JZ United Kingdom	Holding company activities.	Ordinary shares £0.10 /share	100
Axalta Coating Systems Huthwaite UK Limited Indirect	U.K.	6 York Street Aberdeen AB11 5DD United Kingdom	Manufacturer and seller of industrial coatings products.	Ordinary shares £0.25 / share	100
Kelvin Way Properties Limited Indirect	U.K.	Protega Buildings, Kelvin Way, West Bromwich, West Midlands, B70 7JZ	Dormant company	Ordinary shares £1.00 /share	100
Axalta Coating Systems West Bromwich UK Limited Indirect	U.K.	Kelvin Way West Bromwich West Midlands B70 7JZ United Kingdom	Manufacturer and seller of industrial coatings products.	Ordinary shares £1.00 / share	100
Axalta Coating Systems GmbH Direct	Switzerland	Uferstr. 90 Basel, 4057 Switzerland	European Headquarters.	Ordinary shares CHF 100.00 / share	100
Coatings Foreign IPCo. LLC Indirect	U.S.A.	2001 Market Street Suite 3600 Philadelphia, PA 19103 United States of America	Dormant company	N/A	100
Axalta Coating Systems Scandinavia Holding AB Indirect	Sweden	Södra Långebergsgatan 14 Askim, 436 32 Sweden	Holding company	Ordinary shares SKR100.00 / share	100
Axalta Powder Coating Systems Nordic AB Indirect	Sweden	Södra Varvsgatan 23 Vestervik, 593 31 Sweden	Manufacturer of powder products	Ordinary shares SKR100.00 / share	100

Axalta Coating Systems UK Limited

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

11 Investments (continued)

Subsidiary undertakings	Country of incorporation	Registered office	Principal activity	Holding	%
Axalta Coating Systems Sweden AB Indirect	Sweden	Södra Långebergsgatan 14 Askim, 436 32 Sweden	Reselling entity	Ordinary shares SKR 100.00 / share	100
Axalta Coating Systems Norway AS Indirect	Norway	Nils Hansens Vei 7 Oslo, 0667 Norway	Reselling entity	Ordinary shares NOK 1000.00 / share	100
Axalta Coating Systems Finland - Branch Off. of Axalta Sweden AB Indirect	Norway	Oitintie 54 C/O Johnny T. G. Asp SÄLINKÄÄ, 4740 Finland	Branch office	N/A	100
Axalta Coating Systems France Holding SAS Indirect	France	1, Allée de Chantereine Mantes La Ville, 78711 France	Holding company	Ordinary shares €1.00 / share	100
Axalta Coating Systems France SAS Indirect	France	1, Allée de Chantereine Mantes La Ville, 78711 France	Manufacturer of thermosetting powder.	Ordinary shares €200.00 / share	100
Peinture Antico Diffusion SAS (PAD) Indirect	France	1, Allée de Chantereine Mantes La Ville, 78711 France	Reselling entity	Ordinary shares € 181.82 / share	100
Système Peinture Service SAS Indirect	France	1, Allée de Chantereine Mantes La Ville, 78711 France	Reselling entity	Ordinary shares €15.25 / share	100
Société Toulousaine de Peintures et Accessoires SAS Indirect	France	1, Allée de Chantereine Mantes La Ville, 78711 France	Reselling entity	Ordinary shares €350.00 / share	100
Axalta Financial Solutions, S.A.P.I. de C.V., SOFOM, E.N.R Indirect	Mexico	Industria Eléctrica 10 Industrial Barrio Tlalnepantla de Bazs, Estado de Mexico, CP 54015	Finance company	Ordinary shares MXN 1.00 / share	100
Axalta Coating Systems Mexico, S. de R.L. de C.V. Indirect	Mexico	Industria Eléctrica 10 Industrial Barrio Tlalnepantla de Bazs, Estado de Mexico, CP 54015	Manufacturer and distributor of coatings products	Ordinary shares fixed MXN 49,000 / share, variable MXN 783,092,969 / share	100
Axalta Coating Systems Servicios Mexico, S. de R.L. de C.V. Indirect	Mexico	Industria Eléctrica 10 Industrial Barrio Tlalnepantla de Bazs, Estado de Mexico, CP 54015	Service company (i.e. employs employees of Axalta Mexico entities)	Ordinary shares MXN1.00 / share	100
Axalta Recubrimientos S.A. de C.V. Indirect	Mexico	Av. Pico de Orizaba, Col SIPEH Animas, Xalapa Veracruz, México, C.P. 91190	Reselling entity	Ordinary shares MXN 1.00 / share	50
Recubrimientos y Color Max S. de R.L. de C.V. Indirect	Mexico	Carretera Mexico Toluca KM. 45.5 Colonia Juarez Ocoyoacac, Estado de Mexico, CP 52740	Reselling entity	Ordinary shares MXN1.00 / share	100

Axalta Coating Systems UK Limited

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

11 Stocks

	2021	2020
	£'000	£'000
Finished goods and goods for resale	3,434	4,941

Impairment of £182,092 (2020: £278,963) was recognised through profit and loss during the year due to slow-moving and obsolete stock.

12 Debtors

	2021	<u>As restated</u> 2020
	£'000	£'000
Trade debtors	6,775	10,152
Amounts owed by group undertakings	8,717	9,869
Loans owed by group undertakings	6,180	6,180
Other debtors	2	20
Other loan receivables falling due less than one year	504	895
Other loan receivables falling due greater than one year	115	617
Deferred taxation (note 14)	206	229
Corporation tax prepayment	-	136
Prepayments and accrued income	3,475	4,945
	25,974	33,043

Axalta Coating Systems UK Limited

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

12 Debtors (continued)

	2021	<u>As restated</u> 2020
	£'000	£'000
Amounts falling due less than one year	23,107	22,113
Amounts falling due greater than one year	2,867	10930

Included within prepayments are amounts received in advance from customers in relation to Business Improvement Plans (BIPs) which are between 3 and 5 years in length, do not bear interest and are unsecured. In the prior year these were disclosed within other loan receivables falling greater than one year, however the directors now consider these not to be loans in substance. As such the comparative figure has been reclassified to prepayments, to ensure consistency with current year classification.

An impairment loss of £ 30,878 (2020: £32,338) was recognised against trade debtors.

Included within the amounts owed by group undertakings is a loan associated with the cash pool arrangement made to Axalta Coating Systems Finance 3 S.a.r.l totalling £8,520,663 (2020: £9,669,727). Interest applied at 1.88% (2020: 0.695%) and repayable on demand.

There is one other loan owed by a group undertaking, it is unsecured, repayable on demand with fixed interest of 1.04% paid biannually.

13 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	1,663	2,053
Amounts owed to group undertakings	4,311	7,375
Other taxation and social security	1,147	2,401
Accruals and deferred income	3,958	3,563
	11,079	15,392

The amounts owed to group undertakings do not bear interest, are unsecured and repayable on demand.

Axalta Coating Systems UK Limited

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

14 Deferred taxation

At 31 December 2021 the asset for deferred taxation at 25 % (2020: 19%) comprises:

	2021	2020
	£'000	£'000
Accelerated capital allowances	206	229
Short-term timing differences	-	-
Asset for deferred tax excluding that relating to pension liability	206	229
Deferred tax asset on pension liability (note 15)	-	-
Total deferred tax asset	206	229
Asset at beginning of the year	229	177
Deferred taxation credited/(charged) in the profit and loss account for the year (note 7)	52	95
Deferred taxation charged to other comprehensive income	(75)	(43)
Asset at the end of the year	206	229

15 Post-employment benefits

The company participates in the HPG Pension scheme, which was a group defined benefit scheme operated by Axalta Coating Systems UK Limited.

On the 1 April 2014 the HPG defined benefit scheme was closed to new contributions.

The assets of the scheme are held separately from those of the member companies and the latest formal triennial valuation of the Fund was carried out at 5 April 2020. The valuation was carried out by a qualified Actuary in accordance with legislative and professional requirements.

Under FRS102 the amount of any surplus should be restricted so that it is no more than the economic benefits that could be realised by the company, either in the form of future refunds or reductions in future contributions.

With effect from 1 July 2011, the scheme has been closed to new entrants and replaced with a defined contribution scheme at a current contribution rate of 4% employee and 10% employer on pensionable pay.

Axalta Coating Systems UK Limited

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

15 Post-employment benefits (continued)

The pension cost charged in the profit and loss account of £ 245,035 (2020: £250,661) represents contributions payable by the company to the defined contribution scheme during the year and there were no prepayments or outstanding contributions at 31 December 2021 (2020: £Nil).

Following a review of the membership records, and consistently with prior years, the current surplus of the scheme is accounted for in individual member companies.

The actuarial valuation carried out at 31 December 2021 for the purposes of complying with FRS 102 disclosed a surplus for the scheme of £22,500,000 before tax, (2020 surplus: £3,600,000 before tax), of which the company has been allocated 75% based on total membership records for the scheme, the surplus has been restricted by application of an asset ceiling, consequently net assets in the balance sheet are nil.

Contributions paid during the year amounted to £Nil (2020: £ Nil).

	2021	2020
Financial assumptions	%	%
Inflation	3.0	3.1
Long term rate of return on assets (No longer applicable for FRS 102)	N/A	N/A
Rate of increase in salaries	3.2	3.0
Rate of increase in pensions in payment	2.9	2.5
Rate of increase for deferred pensioners	2.5	2.5
Discount rate	1.8	1.3

The discount rate has been based on high-quality sterling-denominated corporate bonds as at 31 December 2021 and takes into account the term structure of these corporate bond yields relative to the term structure of the Scheme's projected liabilities.

The life expectancies based on an assumed retirement age of 65 are as follows:

	2021 Years	2020 Years
Retiring today:		
Males	22.8	22.8
Females	24.6	24.4
Retiring in 15 years' time:		
Males	23.9	24.0
Females	25.9	25.7

Axalta Coating Systems UK Limited

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

15 Post-employment benefits (continued)

Fair value of assets and reconciliation to the balance sheet	2021	2020
	£'000	£'000
Equity securities	21,825	31,050
Debt securities	47,475	37,800
Real estate/property	7,200	6,525
Other	43,425	41,175
Total market value of assets	119,925	116,550
Actual value of scheme liabilities	(103,050)	(113,850)
Surplus in the scheme	16,875	2,700
Effect of limit on recoverable scheme surplus	(16,875)	(2,700)
Related deferred tax asset 25% (2020: 19%)	-	-
Net pension surplus	-	-

The DBO as at 31 December 2021 is less than the fair value of the scheme assets at that date, resulting in an overall surplus or net defined benefit asset. The directors of the company have concluded that the company does not have an unconditional right to 100% of the scheme surplus, therefore an asset ceiling has been applied and none of the surplus has therefore been recognised.

	2021	2020
Analysis of movements in deficit during the year	£'000	£'000
Deficit at 1 January	-	-
Contributions paid	-	-
Current service cost	(375)	(300)
GMP Equalisation	-	(75)
Net interest income	75	150
Remeasurement gain	300	225
Deficit at 31 December	-	-

Axalta Coating Systems UK Limited

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

15 Post-employment benefits (continued)

	2021	2020
	£'000	£'000
Analysis of amounts charged to operating profit		
Current service cost	375	300
GMP equalisation	-	75
Net charge to operating profit	375	375
Analysis of the amount credited to interest receivable and similar income		
Net interest on defined benefit liability	(75)	(150)
Total profit and loss charge before deduction for tax	300	225
	2021	2020
	£'000	£'000
Analysis of the amounts recognised in other comprehensive income		
Actuarial (gain)/loss on assets	(8,250)	10,350
Effect of change in irrecoverable scheme surplus	14,175	(3,590)
Redistribution of assets / liabilities based on scheme headcount	-	(85)
Return on plan assets greater than discount rate	(6,225)	(6,900)
Remeasurement gain	(300)	(225)
Total defined benefit cost before deduction for tax	-	-
	2021	2020
	£'000	£'000
Movements in scheme assets		
Fair value of assets brought forward	116,550	110,260
Interest income on scheme assets	1,500	2,100
Return on plan assets less than discount rate	6,225	6,900
Contributions paid	-	-
Administration expenses	(375)	(300)
Impact of redistribution of assets based on scheme headcount	-	1,490
Benefits paid	(3,975)	(3,900)
Fair value of assets carried forward	119,925	116,550

The actual return on scheme assets during the year was £7,725,000 (2020: £9,000,000).

Axalta Coating Systems UK Limited

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

15 Post-employment benefits (continued)

	2021	2020
	£'000	£'000
Movement in scheme liabilities		
Scheme liabilities brought forward	113,850	103,970
Interest on pension scheme liabilities	1,425	1,950
Impact of redistribution of liabilities based on scheme headcount	-	1,405
Actuarial (profit)/loss on assumptions	(8,250)	10,350
GMP/Curtailment	-	75
Benefits paid	(3,975)	(3,900)
Scheme liabilities carried forward	103,050	113,850

The allocation of scheme assets and liabilities has been adjusted to reflect the current membership split between the two participating legal entities Axalta Coating Systems UK limited and the Axalta Powder Coating Systems UK Limited, the current allocation is 75 : 25 (2020 75:25) impact of the change in allocation has been taken to remeasurement within the respective schedules with the corresponding entry being recorded in Other Comprehensive Income.

16 Called up share capital

	2021	2020
	£'000	£'000
Authorised		
59,000,000 (2020: 59,000,000) ordinary shares of £1 each	59,000	59,000
Allotted, called up and fully paid		
58,164,298 (2020: 58,164,298) ordinary shares of £1 each	58,164	58,164

17 Other reserves

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses. During the year the company undertook a capital reduction and transferred the balance of the share premium account, being £1,827,725,000, to distributable reserves.

Axalta Coating Systems UK Limited

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

18 Operating lease commitments

At 31 December 2021 the company had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Due Date:				
Within 1 year	223	223	149	183
Between 2 and 5 years	223	446	159	206
After more than 5 years	-	-	-	-
	446	669	308	389

19 Guarantees and contingent liabilities

The company's controlling party Axalta Coating Systems UK Holding Limited has provided a guarantee against the assets of the company in relation to financing from Barclays Bank PLC.

20 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.

21 Ultimate parent company and controlling party

The immediate parent undertaking and controlling party was Axalta Coating Systems Holdings UK Limited incorporated in England.

The ultimate parent undertaking and controlling party was Axalta Coating Systems Limited 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 C/O Codan Services Limited, Clarendon House, 2 Church Street, Hamilton HM 11. Bermuda.