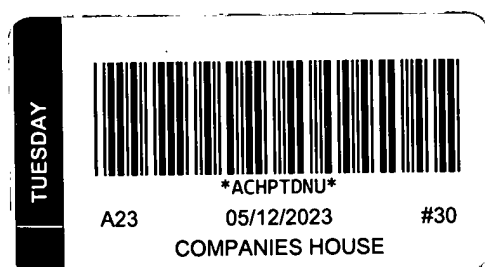


Company Registration No. 02238419 (England and Wales)

AXALTA COATING SYSTEMS UK LIMITED
REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



AXALTA COATING SYSTEMS UK LIMITED

COMPANY INFORMATION

Directors	J I Blenkinsopp F Dolan
Secretary	J I Blenkinsopp
Company number	02238419
Registered office	Unit 1 Quadrant Park Mundells Welwyn Garden City Hertfordshire United Kingdom AL7 1FS
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL

AXALTA COATING SYSTEMS UK LIMITED

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AXALTA COATING SYSTEMS UK LIMITED

REVISED STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Revised financial statements

These revised financial statements replace the original financial statements for the year ended 31 December 2022 which were approved by the directors on 29 September 2023. They are now the statutory financial statements of the company for that financial year. In accordance with the Companies Act 2006, the financial statements have been revised as at the date of the signed financial statements and not as at the date of this revision. Accordingly they do not deal with events between these dates.

The original financial statements did not comply with the Companies Act 2006 in the following aspect. A necessary fixed asset impairment of £15,099k was not recorded within the original financial statements, with the effect of this revision being a reduction in total comprehensive income, fixed asset investments and net assets by the same amount.

The companies Act 2006 requires that where revised financial statements are issued, a revised auditor's report is issued and this is attached.

The directors present their revised strategic report and the audited revised financial statements of the company for the year ended 31 December 2022.

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:

	2022	2021	Change
	£'000	£'000	%
Turnover	49,495	40,994	20.7
Gross profit	19,532	15,551	25.6
EBITDA*	944	779	21.2

*EBITDA excludes dividend receipt in 2022 and 2021 and investment impairment charge in 2022.

In 2022 turnover increased by 20.7% over the previous year. Strong sales growth across all business segments brings turnover back to pre- pandemic levels, the results also include an element of price increase to partially offset higher cost and raw material inflation incurred in the year

Axalta Coating Systems UK Limited made a profit for the financial year of £28,331k (inclusive of dividend income £41,773k) (2021: £85,424k inclusive of dividend income £85,000k) with net assets at period end of £1,907,175k (2021: £1,857,429k). An improved margin was offset by higher support costs and favourable EGL contributed to the improved result year on year (excluding dividend income). An investment impairment of £15,099k was made relating to one of the company's subsidiary investments during the year, reflecting the directors' assessment of its carrying value.

Net assets position remains strong, with the increase in year due to a net increase in investment along with contribution of some long term inter-company loans.

In 2023 the business focus will be to continue to drive profitable growth in all business segments supported by the company.

AXALTA COATING SYSTEMS UK LIMITED

REVISED STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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 2022 the cash position lent to Axalta Coating Systems Finance 3 S.a r.l. amounts to the equivalent of £13,737k (2021: £8,521k).

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. 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. Financial risk management is not considered material for an assessment of the company's assets, liabilities, financial position and profit at 31 December 2022.

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 recognises 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. The directors and senior management will seek to mitigate these risks as far as possible by staying close to the current and forecast prospects for the economy and industry, coupled with maintaining strong relationships with customers and the supply chain alike.

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.

AXALTA COATING SYSTEMS UK LIMITED

REVISED STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

AXALTA COATING SYSTEMS UK LIMITED

REVISED STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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 I Blenkinsopp
Director

Date: 29 November 2023

AXALTA COATING SYSTEMS UK LIMITED

REVISED DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Review of the business and future developments

Please refer to the revised strategic report on pages 1-4 for further disclosure on future developments, fostering business relationships and financial risk management.

Branches outside the UK

The company has a branch in the Republic of Ireland.

Results and dividend

The results for the year are set out on page 14.

Ordinary dividends were paid amounting to £41,773k (2021: £85,000k). The directors do not recommend payment of a further dividend (2021: nil).

Directors

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

J I Blenkinsopp

F Dolan

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.

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.

Auditor

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

AXALTA COATING SYSTEMS UK LIMITED

REVISED DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Energy and carbon report

In line with the Streamlined Energy and Carbon Reporting legislation, the company is required to report its energy consumption and greenhouse gas emissions arising in the UK. All scope 1 & 2 sources of energy and emissions have been disclosed as well as mandatory scope 3 sources of energy and emissions.

Compared with the previous financial period the company's energy consumption from utilities at sites has reduced by 11.4% and our energy consumption from transport fuels has reduced by 17.8%. In total our energy consumption has reduced by 232.2 MWh or 16.6%, and our total greenhouse gas emissions have reduced by 57.9 tCO₂e or 17.7%. This is in part due to reduced activity during this period, however our turnover has not reduced to the same degree, meaning that our energy and emissions intensities per million pounds of turnover have reduced by 28% and 29% respectively.

Source of Energy & Emissions	Energy Consumption (MWh)		GHG Emissions (tCO ₂ e)	
	2022	2021	2022	2021
Combustion of Natural Gas	131.28	150.79	23.96	27.62
Combustion of Fuel in Company Vehicles	911.49	1,088.78	220.42	264.44
Other Activities inc. Process & Fugitive	-	-	-	-
Scope 1 Total	1,042.77	1,239.57	244.38	292.06
Generation of Purchased Electricity	102.15	112.57	19.75	23.90
Scope 2 Total	102.15	112.57	19.75	23.90
Combustion of Fuel in Staff Vehicles	20.20	45.16	4.98	11.11
Scope 3 Total	20.20	45.16	4.98	11.11
Grand Total	1,165.12	1,397.30	269.12	327.06
Intensity per £m Turnover	24.68	34.09	5.70	7.98

Fuel	Conversion	Factor
Electricity: UK	kg CO ₂ e/kWh	0.19338
Natural gas (Standard UK grid)	kg CO ₂ e/kWh (Gross CV)	0.18254
Petrol (average biofuel blend)	kg CO ₂ e/litre	2.16185
	kg CO ₂ e/kWh (Gross CV)	0.22719

Vehicle Type	Conversion	Factor
Average Car: Unknown Fuel	kWh/mile (Net CV)	1.1132
	kg CO ₂ e/mile	0.27465
Small Car: Diesel Engine	kWh/mile (Net CV)	0.87937
	kg CO ₂ e/mile	0.22514
Medium Car: Diesel Engine	kWh/mile (Net CV)	1.05851
	kg CO ₂ e/mile	0.27039
Large Car: Diesel Engine	kWh/mile (Net CV)	1.32314
	kg CO ₂ e/mile	0.33722
Small Car: Petrol Engine	kWh/mile (Net CV)	0.98582
	kg CO ₂ e/mile	0.2358
Medium Car: Petrol Engine	kWh/mile (Net CV)	1.24392
	kg CO ₂ e/mile	0.29724
Large Car: Petrol Engine	kWh/mile (Net CV)	1.86367
	kg CO ₂ e/mile	0.4448

AXALTA COATING SYSTEMS UK LIMITED

REVISED DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Methodology

All conversion factors and fuel properties used in this report have been taken from the 2022 "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.

Utilities

Energy consumption expressed in kilowatt-hours has been taken from suppliers' invoices for electricity and natural gas. Location based kgCO₂e/kWh conversion factors for the average UK grid supply have been used to calculate the associated greenhouse gas emissions.

Transport

For company vehicles either the cost of fuel purchased is recorded, or the mileage along with the engine size and fuel type. Staff also drive personal vehicles and are reimbursed through mileage claims. The engine size and fuel type of personal vehicles is not recorded. Where the cost of fuel is recorded, the average monthly fuel prices have been used to estimate the quantity of fuel purchased in litres, and kgCO₂e/litre and kgCO₂e/kWh conversion factors for "Petrol (average biofuel blend)" have been used to calculate greenhouse gas emissions and underlying energy use. Where the mileage is recorded, the kWh/mile and kgCO₂e/mile conversion factors from the category "Cars (by size)" have been used to calculate greenhouse gas emissions and underlying energy use.

Other fuels and emissions

No other fuels are used. Maintenance records did not contain any instances of refrigerant leaks during the reference period. No other fugitive emissions have been identified.

Statement of directors' responsibilities

The directors are responsible for preparing the revised Annual Report and the revised 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 revised 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 revised 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.

Under s454 of the Companies Act 2006 the directors have the authority to revise annual financial statements, the strategic report, the directors' report or directors' remuneration report if they do not comply with the Companies Act 2006. The revised financial statements or report must be amended in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and in accordance therewith do not take account of events which have taken place after the date on which the original financial statements were approved. The regulations require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements.

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 revised financial statements comply with the Companies Act 2006.

AXALTA COATING SYSTEMS UK LIMITED

REVISED DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of disclosure to auditor

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 are unaware; and
- He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The directors have considered the expected future cash flows for the business, taking into account potential risks. 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.

On behalf of the board



J I Blenkinsopp
Director

Date: 29 November 2023

AXALTA COATING SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AXALTA COATING SYSTEMS UK LIMITED

Opinion

We have audited the revised financial statements of Axalta Coating Systems UK Limited ('the company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, 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). These revised financial statements replace the original financial statements approved by the directors on 29 September 2023.

The revised financial statements have been prepared in accordance with the *Companies (Revision of Defective Accounts and Reports) Regulations 2008* and as such do not consider events which have taken place after the date on which the original financial statements were approved.

In our opinion the revised financial statements:

- Give a true and fair view, seen as at the date the original financial statements were approved, of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice seen as at the date the original financial statements were approved; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the *Companies (Revision of Defective Accounts and Reports) Regulations 2008*.

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 revised 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 revised 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 revised 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 original 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.

Emphasis of matter - revision of financial statements

We draw attention to note 1.17 of the revised financial statements which describes the need for revision of the original financial statements to include a necessary fixed asset investment impairment. The original financial statements were approved on 29 September 2023 and our previous audit report was signed at that date. We have not performed a subsequent events review for the period from the date of our previous auditors report to the date of this report. Our opinion is not modified in this report.

AXALTA COATING SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AXALTA COATING SYSTEMS UK LIMITED

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 revised 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 revised 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, the original financial statements for the year ended 31 December 2022 failed to comply with the requirements of the Companies Act 2006 in the respect identified by the directors' in note 1.17 to the revised financial statements.

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

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

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 revised Strategic Report or the revised 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 revised 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, the Directors are responsible for the preparation of the revised 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 revised 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.

AXALTA COATING SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AXALTA COATING SYSTEMS UK LIMITED

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the revised 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 revised financial statements.

A further description of our responsibilities for the audit of the revised 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.

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in the reports identified by the directors. The audit of revised financial statements includes the performance of procedures to assess whether revisions made by the directors are appropriate and have been properly made.

Extent the audit was 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.

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:

- Companies Act 2006;
- Health and safety and environmental protection legislation;
- UK Tax legislation; and
- UK Generally Accepted Accounting Practice.

AXALTA COATING SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AXALTA COATING SYSTEMS UK LIMITED

Extent the audit was considered capable of detecting irregularities, including fraud (continued)

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

- Management override of controls
- Revenue recognition

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

- Performing audit work procedures confirming the completeness of revenue recognised within the revised financial statements, including a reconciliation of sales orders to the sales ledger by value, tracing a sample of sales from the point of initiation through to the sales ledger ensuring the sales have been accurately recorded, and performing appropriate cut-off procedures at the year-end;
- 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;
- Reviewing records of any health and safety or environmental protection incidents including management's assessment of their potential impact on the company;
- 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;
- 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 revised 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 would become aware of it.

AXALTA COATING SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AXALTA COATING SYSTEMS UK 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 and the Companies (Revision of Defective Accounts and Reports) Regulations 2008. 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: 29 November 2023

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

AXALTA COATING SYSTEMS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Turnover	3	49,495	40,994
Cost of sales		(29,963)	(25,443)
Gross profit		19,532	15,551
Distribution costs		(14,877)	(13,202)
Administrative expenses		(4,335)	(2,191)
Investment impairment charge	4	(15,099)	-
Operating (loss)/profit	5	(14,779)	158
Interest receivable and similar income	9	43,545	85,352
Interest payable and similar expenses	10	(73)	(2)
Profit before taxation		28,693	85,508
Tax on profit	11	(362)	(84)
Profit for the financial year		28,331	85,424
Other comprehensive income			
Actuarial gain on defined benefit pension schemes		-	300
Tax relating to other comprehensive income		-	(75)
Total comprehensive income for the year		28,331	85,649

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

AXALTA COATING SYSTEMS UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	13	1,671	1,462
Investments	14	1,833,588	1,830,225
		<u>1,835,259</u>	<u>1,831,687</u>
Current assets			
Stocks	16	5,928	3,434
Debtors	17	83,317	25,974
Cash at bank and in hand		3,824	7,413
		<u>93,069</u>	<u>36,821</u>
Creditors: amounts falling due within one year	18	<u>(21,153)</u>	<u>(11,079)</u>
Net current assets		<u>71,916</u>	<u>25,742</u>
Net assets		<u><u>1,907,175</u></u>	<u><u>1,857,429</u></u>
Capital and reserves			
Called up share capital	21	58,164	58,164
Share premium account	22	63,188	-
Profit and loss reserves	22	1,785,823	1,799,265
Total equity		<u><u>1,907,175</u></u>	<u><u>1,857,429</u></u>

The financial statements were approved by the board of directors and authorised for issue on 29 November 2023 and are signed on its behalf by:



J I Blenkinsopp
Director

Company Registration No. 02238419

AXALTA COATING SYSTEMS UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2021		58,164	1,827,725	(29,109)	1,856,780
Year ended 31 December 2021:					
Profit for the year		-	-	85,424	85,424
Other comprehensive income:					
Actuarial gains on defined benefit plans		-	-	300	300
Tax relating to other comprehensive income		-	-	(75)	(75)
Total comprehensive income for the year		-	-	85,649	85,649
Dividends	12	-	-	(85,000)	(85,000)
Capital Reduction		-	(1,827,725)	1,827,725	-
Balance at 31 December 2021		58,164	-	1,799,265	1,857,429
Year ended 31 December 2022:					
Profit and total comprehensive income for the year		-	-	28,331	28,331
Issue of share capital	21	-	63,188	-	63,188
Dividends	12	-	-	(41,773)	(41,773)
Balance at 31 December 2022		58,164	63,188	1,785,823	1,907,175

AXALTA COATING SYSTEMS UK LIMITED

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

1 Accounting policies

Company information

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

1.1 Accounting convention

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

The company has adopted the following disclosure exemptions, by virtue of being a qualifying entity in accordance with FRS 102:

- The requirements of Section 7 'Statement of Cash Flows' and paragraph 3.17(d) of Section 3 'Financial Statement Presentation';
- The requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c) of Section 11 'Basic Financial Instruments'; and
- The requirements of paragraph 33.7 of Section 33 'Related Party Disclosures'.

Details of the parent undertaking of the group in which the company is consolidated are provided in note 25. 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 Ltd.

1.2 Going concern

The directors have considered the expected future cash flows for the business, taking into account potential risks. 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.

1.3 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.

1.4 Tangible fixed assets

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.

AXALTA COATING SYSTEMS UK LIMITED

NOTES TO THE REVISED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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 equipment	3 - 15 years
Fixtures and fittings	3 - 15 years

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.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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.

AXALTA COATING SYSTEMS UK LIMITED

NOTES TO THE REVISED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.7 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.

1.8 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.

1.9 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.

Debtors

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

Loans receivable 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.

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.

1.10 Equity instruments

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

Profit and loss reserves – include all current and prior period retained profits and losses.

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.

1.11 Taxation

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

Current tax

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.

AXALTA COATING SYSTEMS UK LIMITED

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

1 Accounting policies

(Continued)

Deferred tax

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.

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.

1.12 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.

1.13 Retirement benefits

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 20.

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

NOTES TO THE REVISED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(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 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 FRS 102 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. As such, where the pension scheme is in surplus, no asset is recorded in the balance sheet.

1.14 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.

1.15 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.

1.16 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.

1.17 Revised financial statements

These revised financial statements replace the original financial statements approved by the directors on 29 September 2023. The original financial statements did not include a necessary fixed asset investment impairment of £15,099k which has been incorporated within the revised financial statements (see note 14). The effect of the revision was a reduction in total comprehensive income, fixed asset investments and net assets by the same amount.

1.18 Exceptional items

Exceptional items are those items that, in the directors' view are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the company's financial performance. Details of those items are provided in the relevant notes.

AXALTA COATING SYSTEMS UK LIMITED

NOTES TO THE REVISED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, 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.

Critical judgements

Recognition of pension surplus

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 FRS 102 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 recognise 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 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.

Key sources of estimation uncertainty

Pension assumptions

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 20.

3 Turnover and other revenue

	2022 £'000	2021 £'000
Turnover analysed by geographical market		
United Kingdom	47,801	39,207
Rest of Europe	1,694	1,787
	<u>49,495</u>	<u>40,994</u>

4 Exceptional item

	2022 £'000	2021 £'000
Expenditure		
Investment impairment charge (note 14)	15,099	-
	<u>15,099</u>	<u>-</u>

AXALTA COATING SYSTEMS UK LIMITED

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

5 Operating (loss)/profit

	2022	2021
	£'000	£'000
Operating (loss)/profit for the year is stated after charging:		
Exchange differences	2,195	315
Depreciation of owned tangible fixed assets	623	622
Operating lease charges	385	422
	<u> </u>	<u> </u>

6 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	43	37
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	3	3
	<u> </u>	<u> </u>

7 Employees

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

	2022	2021
	Number	Number
Distribution	40	41
Administration	4	3
	<u> </u>	<u> </u>
Total	44	44
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2022	2021
	£'000	£'000
Wages and salaries	3,101	2,997
Social security costs	450	411
Pension costs	258	620
	<u> </u>	<u> </u>
	3,809	4,028
	<u> </u>	<u> </u>

AXALTA COATING SYSTEMS UK LIMITED

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

8 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	297	261
Company pension contributions to defined contribution schemes	22	26
	<u>319</u>	<u>287</u>

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

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

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

	2022 £'000	2021 £'000
Remuneration for qualifying services	207	179
Company pension contributions to defined contribution schemes	14	14
	<u>221</u>	<u>193</u>

9 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest income		
Interest on bank deposits	28	-
Interest on the net defined benefit asset	-	75
Interest receivable from group companies	1,713	179
Other interest income	31	98
	<u>1,772</u>	<u>352</u>
Total interest revenue	1,772	352
Income from fixed asset investments		
Income from shares in group undertakings	41,773	85,000
	<u>43,545</u>	<u>85,352</u>
Total income	43,545	85,352

10 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on bank overdrafts and loans	1	2
Interest payable to group undertakings	72	-
	<u>73</u>	<u>2</u>

AXALTA COATING SYSTEMS UK LIMITED

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

11 Taxation

	2022 £'000	2021 £'000
Current tax		
Adjustments in respect of prior periods	-	136
Foreign tax	182	-
Total current tax	182	136
Deferred tax		
Origination and reversal of timing differences	94	(107)
Changes in tax rates	54	(42)
Adjustment in respect of prior periods	32	97
Total deferred tax	180	(52)
Total tax charge	362	84

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

	2022 £'000	2021 £'000
Profit before taxation	28,693	85,508
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	5,452	16,247
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	(5,069)	(16,166)
Adjustments in respect of prior years	-	136
Group relief claimed	(109)	(180)
Deferred tax adjustments in respect of prior years	32	97
Deferred tax change in tax rates	56	(50)
Taxation charge for the year	362	84

	2022 £'000	2021 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	-	75

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.

AXALTA COATING SYSTEMS UK LIMITED

NOTES TO THE REVISED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Dividends

	2022 £'000	2021 £'000
Interim paid	41,773	85,000

13 Tangible fixed assets

	Assets under construction £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2022	-	6,119	888	7,007
Additions	836	-	-	836
Disposals	-	(423)	-	(423)
Transfers	(836)	836	-	-
At 31 December 2022	-	6,532	888	7,420
Depreciation and impairment				
At 1 January 2022	-	4,879	666	5,545
Depreciation charged in the year	-	537	86	623
Eliminated in respect of disposals	-	(419)	-	(419)
At 31 December 2022	-	4,997	752	5,749
Carrying amount				
At 31 December 2022	-	1,535	136	1,671
At 31 December 2021	-	1,240	222	1,462

14 Fixed asset investments

	Notes	2022 £'000	2021 £'000
Investments in subsidiaries	15	1,833,588	1,830,225

AXALTA COATING SYSTEMS UK LIMITED

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

14 Fixed asset investments

(Continued)

Movements in fixed asset investments

	Shares in subsidiaries £'000
Cost or valuation	
At 1 January 2022	1,830,225
Additions	18,462
At 31 December 2022	1,848,687
Impairment	
At 1 January 2022	-
Impairment losses	15,099
At 31 December 2022	15,099
Carrying amount	
At 31 December 2022	1,833,588
At 31 December 2021	1,830,225

Additions relate to an investment in Axalta Coating Systems GmbH. On 28 September 2022 Axalta Coating Systems UK Limited obtained 100% shareholding of Axalta Coating Systems GmbH. The impairment charge relates to a write down of the company's investment in Spencer Coatings Group Limited, reflecting the directors' assessment of its carrying value.

AXALTA COATING SYSTEMS UK LIMITED

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

15 Subsidiaries

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

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Axalta Coating Systems Canada Company	408 Fairall Street, Ajax, Ontario, L1S 1R6, Canada	Manufacturer and distributor of industrial coatings and light vehicle products	Ordinary	100.00	-
Axalta Powder Coating Systems UK Limited	Unit 1 Quadrant Park, Mundells, Welwyn Garden City Herts, AL7 1FS, United Kingdom	Manufacturer and seller of powder paint products	Ordinary	100.00	-
Axalta Coating Systems USA Holdings, Inc.	2001 Market Street, Suite 3600, Philadelphia, PA 19103, USA	Holding company	Ordinary	-	100.00
Dura Coat Products, Inc.	5361 Via Ricardo, Riverside, CA 92509, USA	Manufacturer and seller of industrial coating products	Ordinary	-	100.00
Dura Coat Products of Alabama, Inc.	26655 People Road, Huntsville, AL 35756, USA	Manufacturer and seller of industrial coating products	Ordinary	-	100.00
Spencer Coatings Group Limited	6 York Street, Aberdeen, AB11 5DD, United Kingdom	Holding company	Ordinary	100.00	-
Axalta Coating Systems Tewkesbury UK Limited	Units D1-04, Northway Trading Estate, Ashchurch, Tewkesbury, GL20 8JH, United Kingdom	Manufacturer and seller of industrial coating products	Ordinary	-	100.00
Independent Coatings Group Limited	Kelvin Way, West Bromwich, West Midlands, B70 7JZ, United Kingdom	Holding company activities	Ordinary	-	100.00
Axalta Coating Systems Huthwaite UK Limited	6 York Street, Aberdeen, AB11 5DD, United Kingdom	Manufacturer and seller of industrial coatings products	Ordinary	-	100.00
Kelvin Way Properties Limited	Protega Buildings, Kelvin Way, West Bromwich, West Midlands, B70 7JZ, United Kingdom	Dormant company	Ordinary	-	100.00
Axalta Coating Systems West Bromwich UK Limited	Kelvin Way, West Bromwich, West Midlands, B70 7JZ, United Kingdom	Manufacturer and seller of industrial coatings products	Ordinary	-	100.00
Axalta Coating Systems GmbH	Uferstr. 90 Basel, 4057, Switzerland	European Headquarters	Ordinary	100.00	-
Coatings Foreign IPCo. LLC	2001 Market Street, Suite 3600, Philadelphia, PA 19103, USA	Dormant company	Ordinary	-	100.00
Axalta Coating Systems Scandinavia Holding AB	Södra Långebergsgatan 14, Askim, 436 32, Sweden	Holding company	Ordinary	-	100.00
Axalta Powder Coating Systems Nordic AB	Södra Varvsgatan 23, Vestervik, 593 31, Sweden	Manufacturer of powder products	Ordinary	-	100.00
Axalta Coating Systems Sweden AB	Södra Långebergsgatan 14, Askim, 436 32, Sweden	Reselling entity	Ordinary	-	100.00
Axalta Coating Systems Norway AS	Nils Hansens Vei 7, Oslo, 0667, Norway	Reselling entity	Ordinary	-	100.00
Axalta Coating Systems Finland - Branch Off. of Axalta Sweden AB	Oitintie 54, C/O Johnny T. G. Asp, SÄLINKÄÄ, 4740, Finland	Branch office	Ordinary	-	100.00
Axalta Coating Systems France Holding SAS	1, Allée de Chantereine, Mantes La Ville, 78711, France	Holding company	Ordinary	-	100.00
Axalta Coating Systems France SAS	1, Allée de Chantereine, Mantes La Ville, 78711, France	Manufacturer of thermosetting powder	Ordinary	-	100.00

AXALTA COATING SYSTEMS UK LIMITED

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

15 Subsidiaries

Name of undertaking	Registered office	Nature of business	Class of shares held	(Continued) % Held	
				Direct	Indirect
Peinture Antico Diffusion SAS (PAD)	1, Allee de Chantereine, Mantes La Ville, 78711, France	Reselling entity	Ordinary	-	100.00
Système Peinture Service SAS	1, Allee de Chantereine, Mantes La Ville, 78711, France	Reselling entity	Ordinary	-	100.00
Société Toulousaine de Peintures et Accessoires SAS	1, Allee de Chantereine, Mantes La Ville, 78711, France	Reselling entity	Ordinary	-	100.00
Axalta Financial Solutions, S.A.P.I. de C.V., SOFOM, E.N.R	Industria Eléctrica 10, Industrial Barriento, Tlalnepantla de Bazs, Estado de Mexico, CP 54015, Mexico	Finance company	Ordinary	-	100.00
Axalta Coating Systems Mexico, S. de R.L. de C.V.	Industria Eléctrica 10, Industrial Barriento, Tlalnepantla de Bazs, Estado de Mexico, CP 54015, Mexico	Manufacturer and distributor of coatings products	Ordinary	-	100.00
Axalta Coating Systems Servicios Mexico, S. de R.L. de C.V.	Industria Eléctrica 10, Industrial Barriento, Tlalnepantla de Bazs, Estado de Mexico, CP 54015, Mexico	Service company (i.e. employs employees of Axalta Mexico entities)	Ordinary	-	100.00
Axalta Recubrimientos S.A. de C.V.	Av. Pico de Orizaba, Col SIPEH Animas, Xalapa Veracruz, México, C.P. 91190, Mexico	Reselling entity	Ordinary	-	50.00
Recubrimientos y Color Max S. de R.L. de C.V.	Carretera Mexico Toluca KM., 45.5 Colonia Juarez, Ocoyoacac, Estado de Mexico, CP 52740, Mexico	Reselling entity	Ordinary	-	100.00

16 Stocks

	2022 £'000	2021 £'000
Finished goods and goods for resale	5,928	3,434

Impairment of £nil (2021: £182k) was recognised through profit and loss during the year due to slow-moving and obsolete stock.

17 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	9,694	6,775
Amounts owed by group undertakings	14,650	8,717
Loans owed by group undertakings	-	6,180
Other loan receivables	146	504
Other debtors	-	2
Prepayments and accrued income	2,300	929
	<u>26,790</u>	<u>23,107</u>

AXALTA COATING SYSTEMS UK LIMITED

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

17 Debtors

(Continued)

	2022 £'000	2021 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	45,607	-
Other loan receivables	-	115
Prepayments and accrued income	10,893	2,546
	<u>56,500</u>	<u>2,661</u>
Deferred tax asset (note 19)	27	206
	<u>56,527</u>	<u>2,867</u>
Total debtors	<u>83,317</u>	<u>25,974</u>

Included within prepayments debtors 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.

An impairment loss of £88k (2021: £31k) was recognised against trade debtors.

The intercompany balances due within 1 year are all denominated in GBP in line with the prior year. There were 3 new loans in the current year all denominated in foreign currency which have been summarised below. Interest is applied at an appropriate market rate on all these loans:

Intercompany denominated in:	balances	Amount (£000)	Due Date
CAD		27,437	01 June 2026
EUR		3,534	02 November 2025
INR		14,636	20 January 2026
Total		45,607	

18 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	2,296	1,663
Amounts owed to group undertakings	8,328	4,311
Taxation and social security	5,339	1,147
Accruals and deferred income	5,190	3,958
	<u>21,153</u>	<u>11,079</u>

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

AXALTA COATING SYSTEMS UK LIMITED

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

19 Deferred taxation

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

	Assets 2022 £'000	Assets 2021 £'000
Balances:		
Accelerated capital allowances	27	206
	<u> </u>	<u> </u>
Movements in the year:		2022 £'000
Asset at 1 January 2022		(206)
Charge to profit or loss		179
		<u> </u>
Asset at 31 December 2022		(27)
		<u> </u>

20 Retirement benefit schemes

Defined benefit schemes

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 FRS 102 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, following the closure of the HPG scheme on the 31 March 2014 all employees were offered membership in the defined contribution scheme. The pension cost charged in the profit and loss account of £450k (2021: £245k) represents contributions payable by the company to the defined contribution scheme during the year.

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 2022 for the purposes of complying with FRS 102 disclosed a surplus for the scheme of £15,100k (2021: £22,500k) 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.

AXALTA COATING SYSTEMS UK LIMITED

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

20 Retirement benefit schemes

(Continued)

	2022 %	2021 %
<i>Key assumptions</i>		
Discount rate	4.8	1.8
Expected rate of increase of pensions in payment	3.2	2.9
Expected rate of salary increases	N/A	N/A
Inflation	3.5	3.0
Rate of increase for deferred pensioners (pre 6 April 2009)	2.9	2.9
Rate of increase for deferred pensioners (post 5 April 2009)	2.5	2.5
	<u> </u>	<u> </u>
<i>Mortality assumptions</i>	2022	2021
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.9	22.8
- Females	24.7	24.6
	<u> </u>	<u> </u>
Retiring in 15 years' time		
- Males	24.0	23.9
- Females	26.0	25.9
	<u> </u>	<u> </u>

The discount rate has been based on high-quality sterling-denominated corporate bonds as at 31 December 2022 and takes into account the term structure of these corporate bond yields relative to the term structure of the Scheme's projected liabilities.

	2022 £'000	2021 £'000
<i>Amounts recognised in the profit and loss account</i>		
Net interest on net defined benefit asset	-	(75)
Current service cost	450	375
	<u> </u>	<u> </u>
Total costs	450	300
	<u> </u>	<u> </u>

	2022 £'000	2021 £'000
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	38,250	(7,725)
Less: calculated interest element	2,100	1,500
	<u> </u>	<u> </u>
Return on scheme assets excluding interest income	40,350	(6,225)
Actuarial gains	(34,500)	(8,250)
Effect of changes in the amount of surplus that is not recoverable	(5,850)	14,175
	<u> </u>	<u> </u>
Total gain	-	(300)
	<u> </u>	<u> </u>

AXALTA COATING SYSTEMS UK LIMITED

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

20 Retirement benefit schemes

(Continued)

The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

	2022 £'000	2021 £'000
Present value of defined benefit obligations	65,175	103,050
Fair value of plan assets	(76,200)	(119,925)
Surplus in scheme	(11,025)	(16,875)
Restriction on scheme assets	11,025	16,875
Total liability recognised	-	-

The DBO as at 31 December 2022 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.

	2022 £'000	2021 £'000
<i>Movements in the present value of defined benefit obligations</i>		
Liabilities at 1 January 2022	103,050	113,850
Benefits paid	(5,475)	(3,975)
Actuarial gains	(34,500)	(8,250)
Interest cost	2,100	1,425
At 31 December 2022	65,175	103,050

The defined benefit obligations arise from plans which are wholly funded.

	2022 £'000	2021 £'000
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 January 2022	119,925	116,550
Interest income	2,100	1,500
Return on plan assets (excluding amounts included in net interest)	(40,350)	6,225
Benefits paid	(5,475)	(3,975)
Contributions by the employer	450	-
Current service cost	(450)	(375)
At 31 December 2022	76,200	119,925

The actual return on plan assets was a loss of £38,250k (2021: gain of £7,725k).

AXALTA COATING SYSTEMS UK LIMITED

NOTES TO THE REVISED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Retirement benefit schemes

(Continued)

	2022	2021
<i>Fair value of plan assets at the reporting period end</i>	<i>£'000</i>	<i>£'000</i>
Equity instruments	825	21,825
Debt instruments	33,000	47,475
Property	7,500	7,200
Other	34,875	43,425
	<u>76,200</u>	<u>119,925</u>

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, being 75:25 (2021: 75:25).

21 Share capital

	2022	2021	2022	2021
	Number	Number	£'000	£'000
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>58,164,299</u>	<u>58,164,298</u>	<u>58,164</u>	<u>58,164</u>

On 28 September 2022 the company issued 1 Ordinary share of £1 in return for the release of loan payable to a fellow group company.

22 Reserves

Share premium

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

The increase in the share premium for the current year of £63,188k relates to difference between the nominal value of the share issued and the value of the intergroup liability released.

Profit and loss reserve

The profit and loss reserve includes all current and prior period retained profits and losses, net of any dividends paid.

23 Financial commitments, 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.

AXALTA COATING SYSTEMS UK LIMITED

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

24 Operating lease commitments

Lessee

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

	2022 £'000	2021 £'000
Within one year	259	372
Between two and five years	107	382
	<u>366</u>	<u>754</u>

25 Ultimate controlling party

The immediate parent undertaking and controlling party was Axalta Coating Systems Holdings UK Limited registered at Unit 1 Quadrant Park, Mundell's Welwyn Garden City, Hertfordshire, United Kingdom, AL7 1FS.

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