

Mexichem UK Limited

Annual report and financial statements For the year ended 31 December 2022

Registered number: 07088219



Mexichem UK Limited

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Mexichem UK Limited

Strategic report

Review of the business

Mexichem UK Limited, the 'company', manufactures and distributes fluorocarbons and speciality chemicals for industrial and pharmaceutical purposes, with primary outlets into refrigeration, air conditioning and metered dose inhaler applications.

The operation is based in the UK and from here the company services customers across Europe, India and the Middle East.

The principal products are HFC-134a, medical grade HFA-134a, medical grade HFA-227ea and various refrigerant blends.

The company's medical business is the leading global manufacturer and supplier of HFA medical propellants.

Turnover increased in 2022 by 20 % to £88,758,000 from £73,947,000 in 2021 in the year we have seen increased volumes and prices across our product ranges.

Profit before tax was £11,885,000 (2021: £9,251,000). The key drivers are an increase in gross profit of £1.5m as detailed above and an increase of other operating income of £5.4m due to increased dividend income which was £13,108,000 in the year (2021: £7,519,000), offset by increased spend on R&D activity within administration expenses and continued price rises from shipping lines in distribution expenses.

The company's net current assets have increased by £5.5m. The key drivers are the company's inventory valuation of £32,759,000 (2021: £14,442,000), the increase is a result of increased volume of purchases due to additional lead time in shipping, increases in purchase price of materials as well as an exchange impact due to stock being purchased in USD, an increase of £14m in trade receivables due to hire market pricing and higher volumes in quarter final quarter compared to 2021 offset by a £27m increase in trade payables due to inventory purchases and R&D activity.

The company's net assets as at 31 December 2022 were £91,482,000 (2021: £79,069,000) due to the above mention movement in net current assets and an increase in fixed assets and right of use assets of £11.8m offset by an increase in long term leases liabilities of £5.4m

The net cash inflow for the year was £1,254,000 (2021 outflow: £1,330,000).

Future developments

The business is closely monitoring the EU Fgas regulatory changes which are expected to come in to effect for financial year 2024. We are working closely with our customers and advisors to manage the key changes. It is expected these changes will impact medical prices and quantities as previously exempt product will begin to be covered by the regulation.

Key performance indicators

In conjunction with the management of costs and working capital to improve profit and cash the company uses a number of KPIs to monitor performance. These KPIs are monitored at a global level and not on a local entity basis. These are compared against budget, any variances that arose in the year were satisfactorily explained:

- EBITDA – earnings before interest, tax, depreciation and amortisation, and exceptional items.
- Gross profit as a percentage of sales.
- EBITDA as a percentage of sales.
- Fixed costs as a percentage of gross profit. Fixed costs are direct plant fixed costs plus indirect costs from overhead functions.
- Working capital as a percentage of sales. Working capital relates solely to stock, operating debtors and operating creditors.
- Working capital ratios – these include debtor days – indicating the average length of time it takes to receive cash from a sale; stock turn – indicating the number of times that stock is turned over; and creditor days – indicating the average length of time it takes to pay cash for a purchase.

Mexichem UK Limited

Strategic report

Principal risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the company's long-term performance and could cause actual results to differ materially from those expected. The risk profile is consistent with the prior year, each risk has been taken into consideration by the directors in carrying out their duties in respect of going concern and there are no threats to the solvency and liquidity of the business that have not been adequately mitigated by the measures set out below.

Issue	Risk	Mitigation	Assessment
Competition and illegal trading	<ul style="list-style-type: none"> Price pressures can be experienced in more developed markets, due to the availability of product. This can result not only in downward pressure on gross margins but also increases the risk that products are not considered to represent value for money. There is a risk that illegal products may enter the market which can have a negative impact on price and profitability. In particular product has recently been imported in to the market from China without the appropriate EU FGas accreditation. 	<ul style="list-style-type: none"> The sales teams monitor market prices on an ongoing basis and local management have responsibility for pricing in the local market. The company has engaged via European Fluorocarbons Technical Committee (EFCTC) to address illegal imports and raise awareness across Europe. We are supporting a multi-pronged approach which includes raising awareness, an illegal trade hotline, increased customs checks and fines. In 2022 China launched new regulatory checks on products exported to Europe. 	<ul style="list-style-type: none"> The risk has been assessed to be consistent with previous years. Future developments with FGas regulations could increase this risk in future years.
Relationships	<ul style="list-style-type: none"> The company benefits from close commercial relationships with a number of key customers and suppliers. Damage to or loss of any of these relationships could have a direct effect on the results. 	<ul style="list-style-type: none"> We host local supplier and customer reviews to ensure that we continue to meet their respective needs. 	<ul style="list-style-type: none"> The risk has been assessed to be consistent with previous years.
Manufacturing	<ul style="list-style-type: none"> The manufacturing facilities could be disrupted for reasons beyond our control such as fire, work force actions or other issues. 	<ul style="list-style-type: none"> We have detailed recovery plans for the most likely situations so that business continuity procedures are in place and staff are appropriately trained to implement them should these situations occur. 	<ul style="list-style-type: none"> The risk has been assessed to be consistent with previous years.
Environment and regulation	<ul style="list-style-type: none"> The manufacturing process has a direct impact on the environment, and we are under increasing regulatory pressure. There is a risk that, if we fail to comply with all appropriate regulation we will incur financial penalties as well as damage to the Company's reputation. Regulators continue to consider and develop new regulations that may impact the products we produce and sell. 	<ul style="list-style-type: none"> We have in place an appropriate programme to closely monitor compliance with all environmental regulations. We closely monitor developments and, when appropriate, lobby for the desired outcome of new proposed regulations. New regulations are set with a future timetable so that we can align the R&D strategy to respond. 	<ul style="list-style-type: none"> The risk has been assessed to be consistent with previous years. Future developments in environmental regulations could increase the critical nature of this risk in future years.

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Strategic report (continued)

Issue	Risk	Mitigation	Assessment
Foreign exchange	<ul style="list-style-type: none"> We have significant sales and purchases outside the UK and as such are exposed to movements in exchange rates. 	<ul style="list-style-type: none"> Exchange rate exposures are managed within approved policy parameters. 	<ul style="list-style-type: none"> The risk has been assessed to be consistent with previous years. Ongoing political policy development and economic issues could change this assessment in future years.
State of the economy	<ul style="list-style-type: none"> The current economic environment may lead to a fall in demand for products. Price rises for raw materials used in the manufacturing process may lead to a decline in profitability. Logistic pressures as a result of global supply chain issues could impact inward supplies of finished goods and raw materials, outward supplies of finished goods to customers and the rise in cost for logistic services may impact profitability. The economic impact of COVID-19. The economic impact of the Ukraine/Russia conflict. 	<ul style="list-style-type: none"> The company's commercial operations are spread across the European community such that we are not dependent on one country alone for revenue. There are internal processes in place to ensure that raw materials are obtained from suppliers at competitive prices. Further the Mexichem Group is vertically integrated which gives us a competitive advantage in the supply of key raw materials. The company's service delivery function focuses on procurement customer service and logistics, these teams meet regularly to discuss business requirements and current challenges. Any associated cost impacts are fed into the financial forecasting and budget processes. The company's commercial operations are spread across the European community, India and the Middle East as well as across a suite of refrigerant and medical products. As such the impact of COVID-19 has been varied across both countries and products. Our refrigerant sales have been impacted by global lockdowns while our medical products with respiratory applications have been in high demand. We have no customers or suppliers based in Russia or Ukraine. The business has been impacted by increased energy prices and UK wage inflation rates. 	<ul style="list-style-type: none"> The risk has been assessed to be consistent with previous years.

Mexichem UK Limited

Strategic report (continued)

Issue	Risk	Mitigation	Assessment
Information Technology	<ul style="list-style-type: none">The company is reliant of information technology to run its operations and internal processes and ensure covered from any cyber attacks.	<ul style="list-style-type: none">We have a documented business continuity plan which covers how the business would restore its operating systems and what manual processes and documentation the business would use during the outage.Any changes to IT are implemented through Project Management and Change Control processes before implementation to ensure there is no material effect on the business.The company has a full cyber security process providing clear guidelines to mitigate any attacks	<ul style="list-style-type: none">The risk has been assessed to be consistent with previous years.

Stakeholder engagement (In compliance with section 172 of the Companies Act)

The directors of a company must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

“A director of a company must act in the way he considers, 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 have regard (amongst other matters) to:

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

The directors remain committed to ensuring that business activities are conducted in a responsible manner for the benefit of all of our stakeholders, including the company's employees, customers, partners, and local communities through dedication to ethical, sustainable and fiscally responsible principles.

Strategic decision making for the Company is driven by Group, and the information is presented at Board meetings. Directors are briefed on the potential impacts and risks for our customers, employees and other stakeholders including our suppliers, the community and environment and how they are to be managed. The Directors take these factors into account before deciding on the local implementation of Group policy and decision making.

The table on the next page outlines how the directors perform their duties to satisfy these requirements, but more importantly, to promote the success of the Company.

Mexichem UK Limited

Strategic report (continued)

Why it is important to engage	Stakeholders' key interests	Ways we engage
Our People		
<p>The calibre and capability of our people are critical to the Company's success. We want our people to be proud of working for Koura (Koura is a brand name and division of the wider Orbia group of which the Company is a part) and we want to be in a position to attract and retain the best talent.</p>	<ul style="list-style-type: none"> • Opportunities for development and progression. • Fair reward and recognition of performance. • An inclusive environment. 	<p>There's a reason the word "people" comes first in our triple-bottom line of people, planet, and profit. We value our employees and put them at the heart of our culture. Our values shape the way we all do our jobs, we encourage our people to "Be Brave", "Embrace Diversity" and "Take Responsibility". We conduct regular employee engagement surveys to measure how people feel about the company and its direction. Our executives held monthly town halls every year, and the main themes and issues were regularly reviewed by the Board. Training and development is one of both Koura's and Orbia's key measures in the "Impact Mark", every employee's training is tracked through a corporate software package.</p>
Our Customers		
<p>Our customers are ultimately key and without their continued support, we would not have the potential to grow and develop.</p>	<ul style="list-style-type: none"> • High quality products, produced to the most demanding industry standards. • A service level that can be relied upon to deliver. 	<p>We regularly engage with our diverse customer base, often directly through our sales teams and our operational management teams.</p> <p>Through reports from local management teams and monitoring of customer service levels, the Directors ensure customers continue to receive the high quality products and levels of service that the Koura brand stands for.</p>
Our Suppliers		
<p>The company is dependent on high quality goods and services provided by our suppliers and as a result, long-term partnerships are sought for the benefit of all parties.</p>	<ul style="list-style-type: none"> • Clear communication of requirements. • A partnership approach that seeks to provide long-term benefits to all parties. 	<p>Due to scale and geographic diversity, the company generally operates localised supply chains in the territories in which we operate. This allows direct interaction between our supply-chain teams, our business unit management and local suppliers, ensuring short lines of communications and the ability to react quickly.</p>
Government and regulators		
<p>The company falls under the jurisdiction of numerous governmental and regulatory bodies, specifically with environmental matters such as REACH regulations and FGas regulations. Ensuring compliance with these is crucial to the business functioning in the short and long term.</p>	<ul style="list-style-type: none"> • Compliance with regulations 	<p>Due to the vital nature of ensuring compliance with the regulations, the business regularly engages with regulatory bodies and employs staff to deal with regulatory matters. Regulation forms a key part of business strategy considerations and is a crucial part of any future considerations.</p>
Our Local Communities		
<p>We recognise our responsibility to the communities in which we operate and our broader responsibilities to reduce the impact of our activities on our environment.</p>	<ul style="list-style-type: none"> • To interact in a manner that makes a positive contribution to the local areas within which we operate. • To provide sustainable solutions both to our customers and in how we operate. 	<p>We take pride in our duty as an active investor in our local communities, and we run projects in a number of different countries to support people, local economies, and environments. Koura is committed to sustainable development and has identified principal impacts, risks, and opportunities in order to improve its performance and make sustainability a successful strategy. Koura has received international acclaim for its world-leading achievements in fluorine chemistry. We are now developing a new range of refrigerants with lower global warming potential. Refer to Energy and Carbon Reporting within the Directors' report for statistical information regarding carbon emissions.</p>

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Strategic report (continued)

The board is accountable to the company's shareholders. It is the board's responsibility to ensure business continuity, future viability and profitability is maintained. The board is responsible for managing the company's reserves effectively, and paying out regular dividends to the company's shareholders, where appropriate. The board reviews the company's financial information in its board meetings. The directors review company's cash reserves, profitability and current year financial results against budget. The board ensures the business has sufficient cash reserves to meet its working capital requirements.

As a result of the considerations made and discussed above, the board is satisfied that its directors complied with their legal duty under section 172 of the Companies Act 2006.

This report was approved by the board of directors on 26th July 2023 and signed on its behalf by:



Andrea Ost

Director

The Heath Business and Technical Park, Runcorn, Cheshire, WA7 4QX

Mexichem UK Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the year ended 31 December 2022.

Stakeholder engagement in compliance with section 172 of the Companies Act is covered within the Strategic Report.

Directors

The directors who served during the year and to the date of signing this report are:

Mr David J M Smith

Mr Simon Gardner

Mrs Andrea Ost

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going concern

In carrying out their duties in respect of going concern, the directors have carried out a review of the financial position and cash flow for a period of 12 months from the date of signing these financial statements. This review encompassed revenue, expenditure and cash flows taking in to account specific business risks and uncertainties brought about by the current economic environment. The current economic conditions create uncertainty particularly over the price of products, the credit risk attached to customers, and the exchange rate between sterling and euro and sterling and US dollars and thus the consequence for the cost of some of the company's sales and raw material purchases. Key reasons underpinning the Director's conclusion in relation to going concern are as follows:

- Constrained sales volumes, as a result of global supply chain issues, have been offset by higher prices;
- it has a positive cash balance as at the date of signing the financial statements and has outstanding short term intercompany loans that can be called in if needed. The company is not reliant on any external debt;
- that in preparing their cash flow forecasts the directors have taken into consideration reasonably possible worst-case scenarios.
- even in the most reasonably expected downside projections the company is forecast to remain solvent and sufficiently liquid.

The company continues to trade within the European Union. Current economic events within Europe and other regions are monitored closely by the directors. The impacts of these events is captured in the monthly forecasting, annual budget processes and downside projections.

Based on the assessment carried out, the directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Dividends

During the year ended 31 December 2022 Mexichem UK Limited did not pay an interim dividend (2021: £nil).

The directors do not recommend payment of a final dividend (2021: nil).

Political donations

The Company made no political donations during the year (2021: nil).

Charity donations

The Company made no charity donations during the year (2021: nil).

Mexichem UK Limited

Directors' report

Future developments

Details of future developments can be found in the strategic report on page 1 and form part of this report by cross reference.

Energy and carbon reporting

We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

GHG emissions and energy usage

GHG emissions and energy usage data for period 1 January to 31 December 2022

	2022	2021
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO ₂ e)	45.67	36.52
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO ₂ e)	725.37	838.17
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing fuel	99.8	-
Total gross CO₂e based on above	870.84	874.69
Energy consumption used to calculate emissions - kwh	3,714,120	3,697,159
Emissions (tonnes of CO ₂ e) per £m revenue	9.81	11.8

Reporting boundary and methodology

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

We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.

Energy efficiency actions taken

Improved energy efficiency cannot always be introduced overnight but is a result of a determined effort over time. By carefully selecting specific processes and monitoring their performance we are developing a clear picture so we can precisely determine where savings can be made and what can be achieved. Our aim is to avoid wasting energy by driving more efficient processes. Updates can be found on Orbia's sustainability goals on the company website at <https://www.orbia.com/sustainability/>

Mexichem UK Limited

Directors' report

Research and development

The directors regard the investment in research and development as integral to the continuing success of the business. The company's research and development activities can be split into two key areas.

- Ongoing research and development on the optimisation of plant productivity.
- New product development - the identification of new, low GWP, fluorocarbon refrigerants designed to meet the long-term needs of the pharmaceutical industry.

For several years the company has been developing a new medical propellant, Zephex 152a. Zephex 152a will bring about a greater than 90 percent reduction in inhaler carbon footprints compared to current metered dose inhalers (MDIs) and results in the environmental impact of MDIs being as low as other 'green' inhaler technologies such as dry powder inhaler (DPIs).

As part of the product development the company has committed to a multimillion-pound investment into a new laboratory facility based at their new medical division HQ at Thornton Science Park, Chester, UK. The facility will be the first in the world to offer dedicated pharmaceutical grade laboratories specialising in the new low-carbon footprint medical propellant Zephex® 152a and will help facilitate the commercial development of 152a-based inhaled medicines.

During the year the company completed construction of a 152a purification asset, this is a significant step in the new generation medical propellant strategy. The asset was commissioned during the second half of 2022.

Post balance sheet events

There are no post balance sheet events.

Financial risk management objectives and policies

The financial risk exposures of the business are discussed in note 30.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

This report was approved by the board of directors on 26th July 2023 and signed on its behalf by:



Andrea Ost
Director
The Heath Business and Technical Park, Runcorn, Cheshire, WA7 4QX

Mexichem UK Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards (IFRS's) in conformity with the requirements of Companies Act 2006. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. 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 these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Mexichem UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mexichem UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB)]; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We 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 Financial Reporting Council's (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.

Independent auditor's report to the members of Mexichem 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 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which 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 considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

Independent auditor's report to the members of Mexichem UK Limited

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Money Laundering Legislation, Pensions legislation and Bribery Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Data Protection Act and EU regulation on F-gases.

We discussed among the audit engagement team including relevant internal specialists such as IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

We presume a risk of material misstatement due to fraud related to revenue and evaluate which types of revenue, revenue transactions or assertions give rise to such risks. We have deemed the risk of material misstatements in relation to revenue cut-off to be significant due to possible pressures to meet stakeholder expectations could provide incentives to record revenue where performance obligations have not been satisfied. We have performed the following procedures to address the risk:

- We have substantively tested sample of sales invoices recognised pre and post year-end and agreed to third-party supporting evidence to determine whether appropriate cut-off was applied and that performance obligations have been satisfied.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

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.

Independent auditor's report to the members of Mexichem UK Limited

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Carl Acton

Carl Acton BA (Hons), BFP FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

26th July 2023

Mexichem UK Limited
Income statement
For the year ended 31 December 2022

		2022	2021
		£'000	£'000
	Note		
Revenue	5	88,758	73,947
Cost of sales		(68,335)	(55,105)
Gross profit		<u>20,423</u>	<u>18,842</u>
Other operating income	7	13,942	8,498
Distribution costs		(11,704)	(6,762)
Administrative expenses		(12,379)	(9,345)
Other operating expenses		(2,873)	(2,138)
Other gains/(losses)	12	3,728	(222)
Operating profit		<u>11,137</u>	<u>8,873</u>
Finance income	13	831	470
Finance costs	14	(83)	(92)
Profit before tax		<u>11,885</u>	<u>9,251</u>
Tax	15	528	157
Profit for the financial year	27	<u><u>12,413</u></u>	<u><u>9,408</u></u>

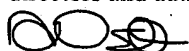
The above results were derived from continuing operations

There are no other items of income and expenses in the current or preceding year, therefore a separate statement of comprehensive income has not been presented.

Mexichem UK Limited
Balance sheet
As at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	16	27,803	22,710
Right-of-use assets	17	10,319	3,565
Investment in subsidiaries	18	-	-
Deferred tax asset	21	600	348
		<u>38,722</u>	<u>26,623</u>
Current assets			
Inventories	19	32,759	14,442
Trade and other receivables	20	70,009	55,862
Cash and bank balances	28	10,412	9,158
Corporation tax		2,824	1,966
		<u>116,004</u>	<u>81,428</u>
Total assets		<u>154,726</u>	<u>108,051</u>
Current liabilities			
Trade and other payables	22	(52,145)	(24,598)
Lease liabilities	23	(3,186)	(1,654)
Provisions	24	(173)	(186)
		<u>(55,504)</u>	<u>(26,438)</u>
Net current assets		<u>60,500</u>	<u>54,990</u>
Non-current liabilities			
Lease liabilities	23	(7,463)	(1,991)
Share based payments	25	(277)	(553)
Total liabilities		<u>(63,244)</u>	<u>(28,982)</u>
Net assets		<u>91,482</u>	<u>79,069</u>
Equity			
Called-up share capital	26	43,734	43,734
Retained earnings	27	47,748	35,335
Total equity		<u>91,482</u>	<u>79,069</u>

The financial statements of Mexichem UK Limited, registered number 07088219, were approved by the board of directors and authorised for issue on 26th July 2023. They were signed on its behalf by:



Andrea Ost
Director

Mexichem UK Limited
Statement of changes in equity
For the year ended 31 December 2022

	Note	Called-up share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021		43,734	25,927	69,661
Profit & total comprehensive income for the financial year	27	-	9,408	9,408
Balance at 31 December 2021		<u>43,734</u>	<u>35,335</u>	<u>79,069</u>
Balance at 1 January 2022		43,734	35,335	79,069
Profit & total comprehensive income for the financial year	27	-	12,413	12,413
Balance at 31 December 2022		<u>43,734</u>	<u>47,748</u>	<u>91,482</u>

Mexichem UK Limited

Cash flow statement

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Net cash generated from/ used in operating activities	28	(1,625)	149
Investing activities			
Purchases of property, plant and equipment	16	(8,387)	(7,588)
Proceeds on disposal of property, plant and equipment		264	-
Dividend income	7	13,108	7,519
Interest received	13	831	470
Net cash used in/generated from investing activities		5,816	401
Financing activities			
Interest paid on lease liabilities	14	(83)	(92)
Repayment of lease liabilities	28	(2,854)	(1,788)
Net cash generated from/used in financing activities		(2,937)	(1,880)
Net increase/(decrease) in cash and cash equivalents		1,254	(1,330)
Cash and cash equivalents at beginning of year	28	9,158	10,488
Cash and cash equivalents at end of year	28	10,412	9,158

Mexichem UK Limited
Notes to the financial statements
For the year ended 31 December 2022

1. General information

Mexichem UK Limited is a private company limited by shares incorporated in England, United Kingdom, under the Companies Act 2006. The address of the registered office is given on page 8. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

The following new standards or interpretations are mandatory for the first time for the financial year ended 31 December 2022:

- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

Adoption of these new standards and interpretations had no material impact on the Company's financial position or related performance.

New and revised IFRS Standards in issue but not yet effective

The International Accounting Standards Board have also issued the following standards and interpretations with an effective date after the date of these financial statements:

<i>International Accounting Standards (IAS/IFRSs)</i>	<i>Effective date (periods beginning on or after)</i>
IFRS 17 Insurance Contracts (including the June 2020 Amendments to IFRS 17)	1 January 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current.

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

2. Adoption of new and revised Standards (continued)

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IFRS 16 Leases. The Annual Improvements include amendments to three Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Mexichem UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements because its results are included in the consolidated financial statements of Orbia Advance Corporation, S.A.B. de C.V., a company incorporated in Mexico and preparing financial statements in accordance with International Financial Reporting Standards, and whose financial statements are publicly available.

Going concern

In carrying out their duties in respect of going concern, the directors have carried out a review of the financial position and cash flow for a period of 12 months from the date of signing these financial statements. This review encompassed revenue, expenditure and cash flows taking into account specific business risks and uncertainties brought about by the current economic environment. The current economic conditions create uncertainty particularly over the price of products, the credit risk attached to customers, and the exchange rate between sterling and euro and sterling and US dollars and thus the consequence for the cost of some of the company's sales and raw material purchases. Key reasons underpinning the Director's conclusion in relation to going concern are as follows:

- Constrained sales volumes, as a result of global supply chain issues, have been offset by higher prices;
- it has a positive cash balance as at the date of signing the financial statements and is not reliant on any external debt;
- that in preparing their cash flow forecasts the directors have taken into consideration reasonably possible worst case scenarios.
- even in the most reasonably expected downside projections the company is forecast to remain solvent and sufficiently liquid.

The company continues to trade within the European Union. Current economic events within Europe and other regions are monitored closely by the directors. The impacts of these events is captured in the monthly forecasting, annual budget processes and downside projections.

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

The company received income from the sale of goods and the provision of services.

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with customer and excludes amounts collected on behalf of third parties.

For sales of refrigerant gases, revenue is recognised when control of the goods has transferred, this varies across the customer base depending on the International Commercial Terms (Incoterms). Following the transfer of control the customer has full discretion over the manner of distribution and price to sell the goods and has the primary responsibility when on-selling the goods and bears the risks of loss in relation to the goods.

For sales of medical propellant, revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product.

Mexichem UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Significant accounting policies (continued)

For the provision of services, revenue is recognised when it is measured based on the consideration to which the company expects to be entitled in a contract with a customer. If performance bonus forms part of the contract revenue is recognised when the performance metric achievement has been agreed with the customer.

A receivable is recognised when revenue is recognised as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Leases

The company as a lessee

The company assesses whether a contract is or contains a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The company did not make any such adjustments during the periods presented.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

3. Significant accounting policies (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Foreign currencies

The company's functional currency is pounds sterling due to the economic environment the company trades in. In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Operating profit

Operating profit is stated before finance costs.

Employee Benefits

Retirement benefit costs

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

Share-based payments

Share-based payments are settled in cash. A liability is recognised, at fair value, at each balance sheet that the employee enters the scheme. The liability is remeasured each year until settlement with any changes in fair value recognised in the profit and loss account.

Taxation

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

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

3. Significant accounting policies (continued)

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or fair value of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Plant and equipment	1 – 15 years
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The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022.

3. Significant accounting policies (continued)

Impairment of tangible, intangible assets and investments in subsidiaries

At each balance sheet 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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.

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.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Reductions in the value of inventories are recognised via reserves which represent the impairment of inventory.

Mexichem UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Significant accounting policies (continued)

Cash

Cash and cash equivalents comprise cash at bank. Cash and cash equivalents at the end of the reporting period as shown in the cash flow statement can be reconciled to the related items in the balance sheet position.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are classified into the following specified categories: 'amortised cost', 'fair value through profit or loss' (FVTPL), 'fair value through other comprehensive income' (FVTOCI) for debt and FVTOCI for equity. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Mexichem UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Significant accounting policies (continued)

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'finance income – interest income' line item (note 9).

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Mexichem UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Significant accounting policies (continued)

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

If any sum due and payable by group company is not paid on the Maturity Date, then that sum shall bear interest payable on demand, to be calculated on the actual number of days elapsed from the Maturity Date for payment until such sum is paid at the rate of interest which is the effective rate in accordance with Section 2 (Interest Rate) + 2%.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

Mexichem UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Significant accounting policies (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

3. Significant accounting policies (continued)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability and is included in the 'other gains and losses' line item in the income statement.

Fair value is determined in the manner described in note 29.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Operating profit

Operating profit is stated before investment income and finance costs.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

3. Significant accounting policies (continued)

Investment income

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

The Directors do not believe there are any critical judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty

The Directors do not believe there are any key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

5. Revenue

An analysis of the company's revenue is as follows:

	2022	2021
	£'000	£'000
Sales of goods	84,889	69,999
Sales of services	3,869	3,948
	<u>88,758</u>	<u>73,947</u>

All revenue is recognised at a point of time.

6. Business and geographical segments

All of the company's turnover originates in the United Kingdom from a single business activity. The turnover derives from the principal activity of the company, the manufacture of industrial fluorocarbons and speciality chemicals. The company's revenue is analysed below by destination:

	2022		2021	
	£'000	%	£'000	%
United Kingdom and Europe	59,524	67	45,135	61
Americas	7,859	9	8,079	11
South Asia	14,554	16	13,956	19
Middle East	6,517	7	5,734	8
Other	304	1	1,043	1
	<u>88,758</u>	<u>100</u>	<u>73,947</u>	<u>100</u>

7. Other operating income

An analysis of the company's other operating income is as follows:

	2022	2021
	£'000	£'000
Dividend income	13,108	7,519
R&D tax credit	489	359
Other	345	620
	<u>13,942</u>	<u>8,498</u>

During the year ended 31 December 2022 Mexichem UK Limited received dividend income from a subsidiary Mexichem Fluor EU B.V. of £13,108,023 (2021: £7,519,000).

In 2022, government grants of £489,000 (2021: £359,000) were received as part of a Government initiative to provide immediate financial support as a result of incurring qualifying research and development expenditure. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

8. Profit for the year

Profit for the year has been arrived at after charging:

	2022	2021
	£'000	£'000
Net foreign exchange (gain)/loss	(3,721)	222
Research and development costs	9,605	7,664
Depreciation of property, plant and equipment	3,160	2,830
Depreciation of right-of-use assets	3,104	1,871
Inventory provision	59	57
Expense relating to short-term leases	3,389	1,809
Cost of inventories recognised as expense	68,124	53,573
Loss allowance on trade receivables	332	283
Staff costs (note 10)	15,303	14,548
	<u> </u>	<u> </u>

9. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2022	2021
	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	96	77
	<u> </u>	<u> </u>
Total audit fees	96	77
	<u> </u>	<u> </u>

The only non-audit service provided in both years related to a transfer pricing review, the fees in respect of these services in the year were £Nil (2021: £54,000).

10. Staff costs

The average monthly number of employees (including executive directors) was:

	2022	2021
	Number	Number
Production	86	109
Administration	40	71
Research and development	116	38
	<u> </u>	<u> </u>
	242	218
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2022	2021
	£'000	£'000
Wages and salaries	11,765	11,419
Social security costs	1,599	1,284
Other pension costs (see note 29)	1,939	1,845
	<u> </u>	<u> </u>
	15,303	14,548
	<u> </u>	<u> </u>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

11. Directors' remuneration

	2022	2021
	£'000	£'000
Directors' remuneration		
Emoluments	705	559
Company contributions to money purchase pension schemes	30	73
Amounts receivable under long term incentive scheme	15	3
	<u>750</u>	<u>635</u>
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>3</u>	<u>3</u>
Are included in the long term incentive scheme	<u>3</u>	<u>3</u>

The highest paid director during the year received £350,000 (2021: £283,000). Included within these amounts are pension scheme contributions amounting to £1,700 (2021: £33,000) and long term incentive scheme payments amounting to £8,700 (2021: £1,700).

12. Other gains and losses

	2022	2021
	£	£
Net foreign exchange gain/(loss)	<u>3,728</u>	<u>(222)</u>

The foreign exchange gains/losses arose on the unhedged monetary items denominated in foreign currencies. The amount predominantly consists of retranslation of bank loans of £46,449,000 (2021: £41,113,000).

13. Finance income

	2022	2021
	£'000	£'000
Interest from intergroup loans	759	469
Interest from third parties	61	1
Interest from overpaid tax	11	-
	<u>831</u>	<u>470</u>

Finance income is derived from financial assets measured at amortised cost.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

14. Finance costs

	2022 £'000	2021 £'000
Interest expense on lease liabilities	83	92

Finance costs are derived from financial liabilities measured at amortised cost.

15. Tax

	2022 £'000	2021 £'000
Corporation tax:		
Current year	(441)	254
Prior year	165	(74)
Foreign tax relief	-	(56)
Foreign tax suffered	-	60
	<u>(276)</u>	<u>184</u>
Deferred tax (note 20):		
Current year	317	83
Prior year	(669)	(301)
Effects of changes in tax rate	100	(123)
	<u>(528)</u>	<u>(157)</u>

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit for the year. The 2021 Budget announced a change to the UK main rate of corporation tax increasing it from 19% to 25% with effect from 1 April 2023. This change to the UK main rate of corporation tax was substantively enacted as part of Finance Bill 2021 (on 24 May 2021) before the balance sheet date therefore deferred tax has been calculated at 25% in these financial statements.

The charge for the year can be reconciled to the profit from continuing activities per the income statement as follows:

	2022 £'000	2021 £'000
Profit from continuing activities before tax	11,885	9,251
Tax at the UK corporation tax rate of 19% (2021: 19%)	2,258	1,758
Prior year adjustments in current tax	(504)	(375)
Expenses that are not deductible in determining taxable profit	113	47
Income not taxable	(2,494)	(1,459)
Tax rate changes	100	(123)
Effects of overseas tax rates	-	4
Effects of group relief/ other reliefs	(1)	(9)
Tax expense for the year	<u>(528)</u>	<u>(157)</u>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

16. Property, plant and equipment

	Assets under construction £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2021	4,258	45,902	50,160
Additions	7,588	-	7,588
Transfers	(2,183)	2,183	-
At 31 December 2021	<u>9,663</u>	<u>48,085</u>	<u>57,748</u>
Additions	8,387	-	8,387
Transfers	(10,274)	10,274	-
Disposals	(3)	(21,786)	(21,789)
At 31 December 2022	<u>7,773</u>	<u>36,573</u>	<u>44,346</u>
Accumulated depreciation and impairment			
At 1 January 2021	-	(32,208)	(32,208)
Charge for the year	-	(2,830)	(2,830)
At 31 December 2021	<u>-</u>	<u>(35,038)</u>	<u>(35,038)</u>
Charge for the year	-	(3,160)	(3,160)
Disposals	-	21,655	21,655
At 31 December 2022	<u>-</u>	<u>(16,543)</u>	<u>(16,543)</u>
Carrying amount			
At 31 December 2022	<u>7,773</u>	<u>20,030</u>	<u>27,803</u>
At 31 December 2021	<u>9,663</u>	<u>13,047</u>	<u>22,710</u>

At 31 December 2022, the company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £6,117,000 (2021: £6,477,000).

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

17. Leases

Right-of-use assets

	Buildings £'000	Plant and equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 January 2021	2,810	5,013	22	7,845
Additions	767	1,993	151	2,911
Disposals	(478)	(861)	-	(1,339)
At 31 December 2021	<u>3,099</u>	<u>6,145</u>	<u>173</u>	<u>9,417</u>
Additions	494	9,359	5	9,858
Disposals	(80)	(3,402)	(21)	(3,503)
At 31 December 2022	<u>3,513</u>	<u>12,102</u>	<u>157</u>	<u>15,772</u>
Accumulated depreciation				
At 1 January 2021	(1,053)	(4,256)	(11)	(5,320)
Charge for the year	(708)	(1,126)	(37)	(1,871)
Disposals	303	1,036	-	1,339
At 31 December 2021	<u>(1,458)</u>	<u>(4,346)</u>	<u>(48)</u>	<u>(5,852)</u>
Charge for the year	(782)	(2,279)	(43)	(3,104)
Disposals	80	3,402	21	3,503
At 31 December 2022	<u>(2,160)</u>	<u>(3,223)</u>	<u>(70)</u>	<u>(5,453)</u>
Carrying amount				
At 31 December 2022	<u>1,353</u>	<u>8,879</u>	<u>87</u>	<u>10,319</u>
At 31 December 2021	<u>1,641</u>	<u>1,799</u>	<u>125</u>	<u>3,565</u>

The company leases assets including office properties and ISO tanks.

Total cash outflow for leases amount to £2.9m (2021: £1.8m). There are no extension or termination options on the company's leases. None of the leases in the company contain variable lease payment terms (2021: none). The maturity analysis of lease liabilities is presented in note 23.

Amounts recognised in profit and loss

	2022 £'000	2021 £'000
Depreciation expense on right-of-use assets	3,104	1,871
Interest expense on lease liabilities	83	92
Expense relating to short-term leases	3,389	1,809
	<u>6,576</u>	<u>3,772</u>

At 31 December 2022, the company is committed to £275,000 for short-term leases (31 December 2021: £605,000).

Mexichem UK Limited
Notes to the financial statements (continued)

For the year ended 31 December 2022

18. Investments in subsidiaries

The company has investment in three subsidiaries. Details of the company's subsidiaries at 31 December 2022 are as follow:

Name	Place of Incorporation	Place of Operation	% of Ownership	Carrying Amount	Registered Office
Mexichem Fluor EU B.V	Netherlands	UK	100%	£1	The Heath, Runcorn, WA7 4QX
Mexichem KLEA Refrigerants Limited	UK	Dormant	100%	£1	The Heath, Runcorn, WA7 4QX
Mexichem HFA Trading Limited	UK	Dormant	100%	£1	The Heath, Runcorn, WA7 4QX

All of the above shareholdings are of ordinary shares.

19. Inventories

	2022 £'000	2021 £'000
Raw materials	637	235
Finished goods	32,122	14,207
	<u>32,759</u>	<u>14,442</u>

There is no material difference between the balance sheet value and the replacement cost.

Inventory provisions are made in line with the company's accounting policies for slow moving inventories. In the financial year to 31 December 2022, the amount provided for and charged to P&L in this respect amounted to £59,000 (2021: £57,000).

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

20. Trade and other receivables

Current assets

	2022	2021
	£'000	£'000
Trade receivables	13,982	11,310
Loss allowance	(332)	(283)
	<hr/>	<hr/>
Amounts receivable from group undertakings	13,650	11,027
Amounts receivable from parent companies	6,002	852
Amounts receivable from subsidiary companies	46,449	41,113
Other debtors	1,237	349
Prepayments	2,043	2,014
	628	507
	<hr/>	<hr/>
	70,009	55,862
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables

Trade receivables disclosed above are measured at amortised cost.

The average credit period taken on sales of goods is 55 days (2021: 47 days). No interest is charged on outstanding trade receivables. Credit insurance is in place to cover 80% of all external trade receivables.

The company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The company has recognised a loss allowance of 50% against the uninsured element of all receivables over 90 days and 100% against the uninsured element of all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Before accepting any new customer, the company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed either once a year or when there is a significant change to the trade with that customer.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the company to the counterparty. These receivables are on average 30 days overdue.

The average credit period taken on the sales of goods to Intergroup companies is 60 days. Interest is not charged on overdue intergroup trading balances. None of the intergroup balances are secured.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

20. Trade and other receivables (continued)

Ageing of past due but not impaired receivables

	2022	2021
	£'000	£'000
30-60 days	306	131
60-90 days	-	-
90-120 days	-	-
120+ days	174	61
	<u>480</u>	<u>192</u>
Total	<u><u>480</u></u>	<u><u>192</u></u>

Movement in the lifetime ECL

	2022	2021
	£'000	£'000
Balance at the beginning of the year	283	560
Net remeasurement of loss allowance	49	(277)
	<u>332</u>	<u>283</u>
Balance at the end of the year	<u><u>332</u></u>	<u><u>283</u></u>

In determining the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

21. Deferred tax

The following are the deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior year.

	Accelerated tax depreciation £'000	Provisions £'000	Total £'000
At 1 January 2021	29	142	171
(Charge)/credit to profit or loss	(176)	217	41
Adjustment in respect of prior year	301	(165)	136
	<u>154</u>	<u>194</u>	<u>348</u>
At 31 December 2021			
At 1 January 2021	154	194	348
(Charge)/credit to profit or loss	(548)	131	(417)
Adjustment in respect of prior year	504	165	669
	<u>110</u>	<u>490</u>	<u>600</u>
At 31 December 2022			

Deferred tax assets and liabilities have been offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £'000	2021 £'000
Deferred tax assets	600	348
	<u>600</u>	<u>348</u>

At the balance sheet date the company has unrecognised deferred tax asset of £298,000 available for offset against future profits. The total amount unrecognised is in relation to capital losses brought forward and we do not anticipate future chargeable gains to arise against which these losses could be offset.

The 2021 Budget announced a change to the UK main rate of corporation tax increasing it from 19% to 25% with effect from 1 April 2023. This change to the UK main rate of corporation tax was substantively enacted as part of Finance Bill 2021 (on 24 May 2021) before the balance sheet date therefore deferred tax has been calculated at 25% in these financial statements.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

22. Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	7,998	5,633
Accruals	7,990	5,474
Amounts payable to group undertakings	29,501	9,226
Amounts payable to parent companies	767	224
Amounts payable to subsidiary companies	1,144	34
Other payables	4,745	4,007
	<u>52,145</u>	<u>24,598</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days (2021: 50 days). No interest is charged on the trade payables. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The average credit period taken on the purchase of goods from Intergroup companies is 60 days. Interest is not charged on overdue intergroup trading balances. None of the intergroup balances are secured.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

23. Lease liabilities

	2022	2021
	£'000	£'000
Analysed as:		
Non-current	7,463	1,991
Current	3,186	1,654
	<u>10,649</u>	<u>3,645</u>
	2022	2021
	£'000	£'000
Maturity analysis		
Year 1	3,305	1,668
Year 2	2,742	1,169
Year 3	2,060	619
Year 4	1,924	119
Year 5	618	70
	<u>10,649</u>	<u>3,645</u>

Lease liabilities represent amounts payable for certain office properties and ISO tanks. The company's obligations relating to these lease liabilities are secured by the lessors' rights over the leased assets disclosed in note 16.

The company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the company's treasury function.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

24. Provisions

	2022 £'000	2021 £'000
Restructuring provision	<u>173</u>	<u>186</u>
Current	<u>173</u>	<u>186</u>
Restructuring provision	<u>173</u>	<u>186</u>
		Restructuring provision £'000
At 1 January 2022		186
Additional provision		80
Provision utilised		<u>(93)</u>
At 31 December 2022		<u>173</u>

The restructuring provision relates to the closure costs of HFC-125, the blending facility and divestment of the feedstock business. The provision will be utilised as these sites are cleared. It is expected this will be completed by 31 December 2023. During the year a provision for lease termination remediations was recognised.

25. Share-based payments

	2022 £'000	2021 £'000
Share based payments	<u>277</u>	<u>553</u>

Mexichem has a restricted stock program for its executive staff. This program consists in assigning a specific number of "phantom" actions to the executive known as Long-Term Incentive Plan (LTIP). The company annually grants a determined amount of phantom shares aligned with the value of the real shares. Each year the value of the LTIP is granted to the active executives selected, who have been rendering services for at least six months at the time of the allocation.

Of the total value allocated, 40% is paid in three proportional parts (13.33% each a year) only if the annual performance targets established in the plan are achieved.

The remaining 60% of the value allocated will be paid in the third year of the allocation, only if the financial performance targets for the three years are achieved.

Payments are only made to employees active on the payroll at the time the exercise of the phantom shares is approved.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

26. Called-up share capital

	2022	2021
	£'000	£'000
Authorised:		
Balance at 1 January (43,734,436 ordinary shares of £1 each)	43,734	43,734
Share capital reduction	-	-
	<u>43,734</u>	<u>43,734</u>
Balance at 31 December	<u>43,734</u>	<u>43,734</u>
Issued and fully paid:		
Balance at 1 January (43,734,436 ordinary shares of £1 each)	43,734	43,734
Share capital reduction	-	-
	<u>43,734</u>	<u>43,734</u>
Balance at 31 December	<u>43,734</u>	<u>43,734</u>

The company has one class of original shares that carry no right to fixed income.

27. Retained earnings

	£'000
Balance at 1 January 2021	25,927
Profit for the financial year	9,408
	<u>35,335</u>
Balance at 31 December 2021	35,335
Profit for the financial year	12,413
	<u>47,748</u>
Balance at 31 December 2022	<u>47,748</u>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

28. Notes to the cash flow statement

	Note	2022 £'000	2021 £'000
Profit for the financial year		12,413	9,408
Adjustments for:			
Finance income	13	(831)	(470)
Finance costs	14	83	92
Income tax charge	15	(528)	7
Gain on disposal	16	(131)	-
Depreciation of property, plant and equipment	16	3,160	2,831
Depreciation of right of use assets	17	3,105	1,871
Decrease in share-based payments	25	(276)	381
Dividend income	7	(13,108)	(7,519)
Operating cash flows before movements in working capital		3,887	6,601
(Increase)/decrease in inventories		(18,318)	(408)
(Increase)/decrease in receivables		(14,145)	(5,493)
Increase/(decrease) in payables		27,546	(198)
Increase/(decrease) in provisions		(13)	(5)
Cash from operations		(1,043)	497
Tax paid		(582)	(348)
Net cash from operating activities		<u>(1,625)</u>	<u>149</u>

Cash and cash equivalents

	2022 £'000	2021 £'000
Cash and bank balances	<u>10,412</u>	<u>9,158</u>

The directors consider the carrying amount of these assets is to equal their fair value.

Changes in liabilities arising from financing activities

	At 1 January 2022 £'000	Financing cash flows £'000	New leases entered £'000	At 31 December 2022 £'000
Lease liabilities	(3,645)	2,854	(9,858)	(10,649)
Total liabilities from financing activities	(3,645)	2,854	(9,858)	(10,649)

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

29. Retirement benefit schemes

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the company in funds under the control of trustees.

The total cost charged to income of £1,939,000 (2021: £1,845,000) represents contributions payable to the scheme by the company at rates specified in the rules of the plans. As at 31 December 2022, unpaid contributions due in respect of the current year were £166,000 (2021: £155,000).

30. Financial instruments

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is measured at fair value level 1, trade and other receivables, trade and other payables, lease liabilities and share-based payments are measured at fair value level 2.

Categories of financial instruments

	2022	2021
	£'000	£'000
Financial assets		
Measured at amortised cost		
Cash and bank balances	10,412	9,158
Trade and other receivables	72,205	55,355
	<u>82,617</u>	<u>64,513</u>
Total financial assets		
Financial liabilities		
Measured at amortised cost		
Trade and other payables	(51,734)	(23,487)
Lease liabilities	(10,649)	(3,645)
Measured at fair value through profit and loss		
Share-based payments	(227)	(553)
	<u>(62,610)</u>	<u>(27,685)</u>
Total financial liabilities		

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

30. Financial instruments (continued)

Capital risk management

The company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital and retained earnings as disclosed in notes 25 and 26.

The company is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratio at the year end is as follows:

	2022	2021
	£'000	£'000
Cash and cash equivalents	10,412	9,158
Net funds	10,412	9,158
Equity	91,482	79,069
Net funds to equity ratio	11%	12%

Equity includes all capital and reserves of the company that are managed as capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Financial risk management objectives

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk. The company has in place a risk management program that seeks to limit the adverse effects on the financial performance of the company where appropriate.

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to such risk exceed any potential benefits.

The company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties.

Other foreign exchange exposures arise on retranslation of trading balances either with third parties or with other group companies, therefore a large proportion of the risk is mitigated at a group, rather than company level. For the remaining exposure it is the view of management that given the size of the company's operations, the costs of managing exposure to such risk exceed any potential benefits.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

30. Financial instruments (continued)

Foreign currency risk management

The company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities	Assets	Liabilities	Assets
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
US dollar	27,714	68,500	11,879	53,593
Euro	331	3,204	1,198	2,342

Foreign currency sensitivity analysis

The company is mainly exposed to US dollar and Euro currency.

The following table details the sensitivity to a ten per cent increase and decrease in Sterling against the relevant foreign currencies. Ten per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a ten per cent change in foreign currency rates. A positive number below indicates an increase in profit where Sterling strengthens ten per cent against the relevant currency. For a ten per cent weakening of Sterling against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

	<u>US dollar impact</u>		<u>Euro impact</u>	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
	(ii)	(ii)	(i)	(i)
Profit or loss	3,708	3,792	321	104

(i) This is mainly attributable to the exposure outstanding on Euro receivables and payables.

(ii) This is mainly attributable to the exposure outstanding on US dollar receivables and payables.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk given that it is performed based on year end amounts and exchange rates, which may not necessarily reflect the exposure during the year.

The change in equity due to a ten per cent increase or decrease in Sterling against the relevant foreign currencies would be the same as the impact on the income statement.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The company's policy is to only extend unsecured credit to creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Creditworthiness is determined by reviewing information from independent rating agencies where available, and if not available, the company uses other publicly available financial information and internal trading records to rate our major customers. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

30. Financial instruments (continued)

For trade receivables, the company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile is presented based on their past due status in terms of the provision matrix. Note 19 includes further details on the loss allowance.

The company's maximum exposure to credit risk as at 31 December 2022 represents its trade and other receivables balance £73,303,000 (2021 - £55,632,000) and cash and cash equivalents £10,412,000 (2021 - £9,158,000).

Trade receivables consist of a significant number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company performs ongoing credit evaluations of its customer's financial condition and monitors the credit worthiness of its customers to which it grants credit in ordinary course of business. Consequently, if required the Company takes necessary mitigation measures. Further the allowance for impairment of trade receivables is created to the extent, and as and when required, based upon the expected collectability of accounts receivable.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The company manages liquidity risk by maintaining adequate reserves, banking facilities and by monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

30. Financial instruments (continued)

Liquidity and interest risk tables

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the company may be required to pay.

	Weighted average effective interest rate	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2021							
Trade and other payables	N/A	4,230	19,085	120	52	-	23,487
Lease liabilities	N/A	139	278	1,251	1,977	-	3,645
Share-based payments	N/A	-	-	276	277	-	553
		<u>4,369</u>	<u>19,363</u>	<u>1,647</u>	<u>2,306</u>	<u>-</u>	<u>27,685</u>

	Weighted average effective interest rate	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2022							
Trade and other payables	N/A	4,710	47,002	22	-	-	51,734
Lease liabilities	N/A	275	551	2,479	7,344	-	10,649
Share-based payments	N/A	-	-	227	-	-	227
		<u>4,985</u>	<u>47,553</u>	<u>2,728</u>	<u>7,344</u>	<u>-</u>	<u>62,610</u>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

30. Financial instruments (continued)

The following table details the company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2021						
Cash and cash equivalents	9,158	-	-	-	-	9,158
Trade and other receivables	7,217	7,055	41,083	-	-	55,355
	<u>16,375</u>	<u>7,055</u>	<u>41,083</u>	<u>-</u>	<u>-</u>	<u>64,513</u>
31 December 2022						
Cash and cash equivalents	10,412	-	-	-	-	10,412
Trade and other receivables	13,266	10,168	48,771	-	-	72,205
	<u>23,678</u>	<u>10,168</u>	<u>48,771</u>	<u>-</u>	<u>-</u>	<u>82,617</u>

31. Related party transactions

Trading transactions

During the year, the company entered into the following transactions with related parties:

	Cost recharges £'000		Sale of goods £'000		Purchase of goods and Services £'000	
	2022	2021	2022	2021	2022	2021
Mexichem Fluor Inc	3,640	5	4,529	182	12,003	6,713
Mexichem Fluor Japan Limited	51	-	141	7	9,141	31,064
Mexichem Fluor Taiwan Inc	-	-	439	123	870	2,239
Mexichem Fluor S.A. de C.V.	10,209	301	841	101	3,109	2,096
Mexichem Servicios Administrativos S.A.de C.V.	164	9	-	-	1,499	1,134
Mexichem Servicios Fluor, S.A. de C.V.	-	-	-	-	-	-
Mexichem Amanco Holdings	1	-	-	-	-	-
Mexichem Compuestos SA de CV	-	-	-	-	-	-
Mexichem Speciality Compounds	39	64	-	-	-	-
Mexichem Fluor EU BV	5,570	165	8,484	1,026	1,106	477
Duraline India PVT LTD	67	-	-	-	287	201
Wavin UK Limited	85	1	-	-	167	33
Wavin France S.A.S	-	-	-	-	7	6
Wavin Holland	-	-	-	-	26	42
Wavin Overseas B.V.	-	-	-	-	-	-
Mexichem Shared Services Europe	-	-	-	-	1	-
Orbia Advance Corporation S.A.B. de C.V.	165	318	-	-	353	-
	<u>165</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>353</u>	<u>-</u>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

31. Related party transactions (continued)

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Mexichem Fluor Inc	5,758	491	13,373	1,679
Mexichem Fluor Japan Limited	50	59	15,689	7,022
Mexichem Fluor Taiwan Inc	151	209	130	164
Mexichem Fluor S.A. de C.V.	990	837	416	224
Mexichem Servicios Administrativos S.A.de C.V.	26	11	295	327
Mexichem Speciality Compounds	6	70	-	-
Mexichem Fluor EU BV	1,237	349	1,144	34
Wavin France S.A.S	-	-	2	3
Wavin UK Limited	11	12	1	1
Wavin Holland	-	-	1	5
Duraline India PVT LTD	-	-	10	26
Orbia Advance Corporation S.A.B. de C.V.	45,459	40,276	351	-

Sales and purchases of goods with related parties and cost recharges were made in accordance with the group's transfer pricing policies.

The entities listed above are all under the common ownership of Orbia Advance Corporation S.A.B. de C.V. which is the ultimate parent undertaking of the company.

The amounts outstanding are held within receivables and payables. These are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the key management personnel, which includes the directors, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about Directors' remuneration is provided in note 11.

	2022 £'000	2021 £'000
Short-term employee benefits	1,222	989
Post-employment benefits	80	143
	<u>1,302</u>	<u>1,132</u>

Directors' transactions

There were no directors' transactions in the year.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

32. Parent undertakings and controlling party

The directors regard Mexichem Fluor S.A. de C.V., a company incorporated in Mexico, as the immediate parent undertaking of the company. The directors regard Orbia Advance Corporation, S.A.B. de C.V., a company incorporated in Mexico, to be the ultimate parent undertaking of the company. Orbia Advance Corporation, S.A.B. de C.V. is the largest and smallest group into which the results are consolidated. Copies of Orbia Advance Corporation, S.A.B. de C.V. consolidated financial statements can be obtained from the Company Secretary and registered address at, Orbia Advance Corporation, S.A.B. de C.V., Río San Javier No. 10, Fracc. Viveros del Río, Tlalnepantla, Estado de México, C.P. 54060.

The directors regard Kaluz S.A. de C.V., Blvd Manuel Avila Camacho 191, Esquina Av Horacio 1855, Campeche, CM 11510, Mexico to be the ultimate controlling party by virtue of its majority shareholding in Orbia Advance Corporation, S.A.B. de C.V.

33. Post balance sheet events

There are no post balance sheet events.