

Registration number: 09789637

Mexichem Wavin UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022



Mexichem Wavin UK Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 9
Profit and Loss Account	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 23

Mexichem Wavin UK Limited

Company Information

Director	A Ost L MK Grant
Company secretary	Oakwood Corporate Secretary Limited E Walker-Arnott
Registered office	3rd Floor 1 Ashley Road Altrincham Cheshire WA14 2DT United Kingdom
Auditors	Deloitte LLP Statutory auditor The Hanover Building Corporation Street Manchester M4 4AH United Kingdom

Mexichem Wavin UK Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022 and 31 December 2021.

Review of business

The profit before taxation was \$17,616,000 (2021: \$12,311,000) and profit for the financial year was \$14,289,000 (2021: \$9,952,000). Net assets in the balance sheet as at 31 December 2022 increased to \$376,553,000 (2021: \$362,264,000).

Interest income in the year amounted to \$17,536,000 (2021: \$12,386,000) and is derived from interest received on intercompany loans to related undertakings. The increase in interest received has been as a direct result of rising interest rates from the prior year.

The company's key financial and other performance indicators during the year were as follows:

Financial KPIs	Unit	2022	2021
Return on invested capital (Profit after tax / net assets)	%	3.79	2.75

Key financial indicators have moved during the year as a result of the performance of the business in the year, as detailed above.

Due to the nature of the company, it has no employees and does not trade therefore there are no non-financial key performance indicators.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business are all related to the carrying value and recoverability of the intercompany debt. The Company has received written letter of support from fellow group companies confirming its ability and intention to repay debt as and when it fall dues.

Approved by the board on 29 September 2023 and signed on its behalf by:



.....
A Ost
Director

Mexichem Wavin UK Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022 and 31 December 2021.

Directors' of the company

The Directors, who held office during the year and to the date of this report, except as noted below were as follows:

A Ost

L MK Grant

M G Ward (Resigned 7 September 2023)

Principal activity

The principal activity of the company is to provide financing through intercompany loans to other related parties.

Dividends

The Directors have not recommended the payment of a dividend (2021: \$nil). No dividends have been declared post year end.

Political donations

No political donations were made during the year (2021: \$nil).

Employee involvement

Aside from the directors the company has no employees.

Financial risk management objectives and policies

Liquidity risk

The Company participates in the Wavin EMEA cash pooling arrangements. Therefore, although there is only a small amount of cash reported at any point in time, the Company has immediate access cash available through this cash pooling arrangement and any wider group facilities.

To maintain liquidity and to ensure sufficient funds are available for both current and future needs, the Company regularly communicates with its Group Company.

Cashflow risk

Due to the nature of the Company's activity with minimal cash outflows and regular income from interest receipts. Coupled with the Company's ability to access its Group cash pooling facility, cashflow risk is expected to be minimal.

Credit risk

The Company's principal financial assets are intercompany loans. The Directors have received a letter of support confirming the groups ability and intention to repay its intercompany debt as and when it falls due.

Mexichem Wavin UK Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Going concern

Due to the nature of the Company's activities, it does not have significant cash outflows and coupled with the Company has immediate access to cash available through its cash pooling arrangement, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Furthermore the Directors have received a letter of support from Orbia Advance Corporation, S.A.B. de C.V., the ultimate parent company, confirming it is committed to providing support to the ongoing operations of the Company for a period of 12 months from the date of the financial statements. The Directors have considered the ability of the group to provide support based on their own inquiries.

Thus the Directors continues to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the going concern basis can be found in the accounting policies note in the financial statements.

Future developments

The Company intends to continue to provide loan finance to related parties. There are no other developments planned for 2023.

Post balance sheet events

On the 27 June 2023, an amendment was made to an intercompany loan agreement, hereby changing the rate in which interest is charged from US\$ LIBOR 1M plus 3.81% to a fixed rate of 5.170% from 10 October 2022. The impact on the financial statements was a reduction in interest receivable for an amount of \$717,000 for the period 10 October 2022 to 31 December 2022 which has been reflected in the financial statements.

Directors' liabilities

The ultimate parent undertaking has indemnified the director of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the year and at the date of this report.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

The auditors Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the board on 29 September 2023 and signed on its behalf by:



.....
A Ost
Director

Mexichem Wavin UK Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

Mexichem Wavin UK Limited

Independent Auditor's Report to the Members of Mexichem Wavin UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mexichem Wavin 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 Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 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 original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Mexichem Wavin UK Limited

Independent Auditor's Report to the Members of Mexichem Wavin UK Limited (continued)

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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor Responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council'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 about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework 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, Tax legislation, Health and Safety at work regulations, Data Protection Act 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.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Mexichem Wavin UK Limited

Independent Auditor's Report to the Members of Mexichem Wavin UK Limited (continued)

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 and 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 correspondence with HMRC.

Report on other legal and regulatory requirements

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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.

Mexichem Wavin UK Limited

**Independent Auditor's Report to the Members of Mexichem Wavin UK Limited
(continued)**

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

The Hanover Building
Corporation Street
Manchester
M4 4AH
United Kingdom

29 September 2023

Mexichem Wavin UK Limited

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Administrative expenses		<u>(14)</u>	<u>(42)</u>
Operating loss		(14)	(42)
Interest receivable and similar income	4	17,536	12,386
Interest payable and similar expenses	5	<u>94</u>	<u>(33)</u>
Profit before tax		17,616	12,311
Tax on profit	9	<u>(3,327)</u>	<u>(2,359)</u>
Profit for the year		<u><u>14,289</u></u>	<u><u>9,952</u></u>

The above results were derived from continuing operations.

The company has no items of income and expenses other than those included in the results above, and therefore no separate statement of comprehensive income has been presented.

Mexichem Wavin UK Limited

**(Registration number: 09789637)
Balance Sheet as at 31 December 2022**

	Note	31 December 2022 \$ 000	31 December 2021 \$ 000
Current assets			
Debtors due within one year	10	217,408	203,119
Debtors due after one year	10	<u>159,145</u>	<u>159,145</u>
		<u>376,553</u>	<u>362,264</u>
Capital and reserves			
Called up share capital	11	281,992	281,992
Profit and loss account		<u>94,561</u>	<u>80,272</u>
Shareholders' funds		<u>376,553</u>	<u>362,264</u>

Approved and authorised for issue by the Board on 29 September 2023 and signed on its behalf by:



.....
A Ost
Director

Mexichem Wavin UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital	Retained	Total
	\$ 000	earnings	\$ 000
	\$ 000	\$ 000	\$ 000
At 1 January 2021	281,992	70,320	352,312
Profit for the year	-	9,952	9,952
Total comprehensive income	-	9,952	9,952
At 31 December 2021	281,992	80,272	362,264
	Called up	Retained	Total
	share capital	earnings	\$ 000
	\$ 000	\$ 000	\$ 000
At 1 January 2022	281,992	80,272	362,264
Profit for the year	-	14,289	14,289
Total comprehensive income	-	14,289	14,289
At 31 December 2022	281,992	94,561	376,553

The notes on pages 13 to 23 form an integral part of these financial statements.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales, United Kingdom.

The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Mexichem Wavin Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

These financial statements are presented in US Dollars as the company's transactions are predominantly in US Dollars. All values are rounded to the nearest thousand US Dollars, except where otherwise stated.

Summary of disclosure exemptions

In these financial statements, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 - 'Share-based payments' (how the fair value of goods/services received or equity instruments granted was determined and details of the number and weighted average exercise prices of share options).
- IFRS 7 - 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
 - paragraph 79(a)(iv) of IAS 1
(reconciliation of number of shares at the beginning and end of the period)
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'
(reconciliations between the carrying amount at the beginning and end of the period)
 - paragraph 118(e) of IAS 38, 'Intangible assets'
(reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information);
 - 134-136 (capital management disclosures)
- IAS 7 - 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more members of a group).

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will be able to continue to trade for the foreseeable future. The Directors have reviewed the expected future activities of the Company and believe the Company will meet its debts as they fall due for the foreseeable future despite current economic uncertainty. The Directors have received a letter of support from Orbia Advance Corporation, S.A.B. de C.V., the ultimate parent company, confirming it is committed to providing support to the ongoing operations of the Company for a period of 12 months from the date of the financial statements.

Finance income and costs policy

Interest income and interest payable is recognised in the profit and loss account as it accrues, using the effective interest method.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

Items included in the financial statement of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'US Dollars' (\$), which is also the company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Interest payable and similar expenses.'

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Trade debtors

Trade debtors are primarily amounts for the principal loan and interest due from related parties. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the balance sheet when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial assets and liabilities are classified at inception at amortised cost.

The classification and the basis for measurement are subject to the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2. Accounting policies (continued)

Derecognition

Financial assets

The company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

- (a) The carrying amount of the assets and liabilities that are recognised in the entity's balance sheet and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.
- (b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;
- (c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined
- (d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Financial liabilities

If the terms of a financial liabilities are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

For trade debtors, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

To measure the expected credit losses, trade debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The company has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the debtors. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

New standards, interpretations and amendments effective from 1 January 2022

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty

The application of the company's accounting policies requires management to make judgement, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

Management's best estimates concerning the future are based on facts and circumstances available at the time estimates are made, however, the nature of estimates means that actual outcomes could differ from those estimates.

There are no significant accounting estimates or critical accounting judgements that impact on the financial statements.

4 Interest receivable and similar income

	2022	2021
	\$ 000	\$ 000
Interest income derived from group undertakings	<u>17,536</u>	<u>12,386</u>

5 Interest payable and similar expenses

	2022	2021
	\$ 000	\$ 000
Foreign exchange losses	<u>(94)</u>	<u>33</u>

6 Staff costs

The company has no employees.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Directors' remuneration

The director's emoluments have been borne by other group undertakings; Wavin Limited, Mexichem UK Limited and Dura-Line LLC. The directors' are not able to apportion the emoluments attributable to services provided to each company. Accordingly the financial statements included no emoluments in respect of the director.

8 Auditors' remuneration

	2022 \$ 000	2021 \$ 000
Audit of the financial statements	14	8

Non-audit related fees in the year amount to \$nil (2021: \$nil).

9 Income tax

Tax charged in the profit and loss account

	2022 \$ 000	2021 \$ 000
Current taxation		
UK corporation tax	3,347	2,339
UK corporation tax adjustment to prior periods	(20)	20
	3,327	2,359

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021 - the same as the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 \$ 000	2021 \$ 000
Profit before tax	17,616	12,311
Corporation tax at standard rate	3,347	2,339
Total tax charge	3,347	2,339

On 24 May 2021 the Finance Bill 2021 had its third reading and is now considered substantively enacted. The increase in the UK corporation tax rate to 25% from 1 April 2023 has been reflected in the value of our UK deferred taxes balances. The increase in the main rate of corporation tax to 25% from 1 April 2023 was confirmed in the Spring Budget 2023 (15 March 2023) and is substantively enacted as part of Finance Bill (no. 2) 2023 on 11 July 2023.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Trade and other debtors

	31 December 2022	31 December 2021
	\$ 000	\$ 000
Debtors from related parties	94,377	79,650
Loans to related parties	281,991	281,991
Income tax asset	185	623
	376,553	362,264
Less non-current portion	(159,145)	(159,145)
	217,408	203,119

Included within amounts loaned to related parties is an amount of US\$122,846,048 which is repayable 10 October 2023 and unsecured. Interest is payable at US\$ LIBOR 1M plus 3.81% from 1 January to 9 October 2022, from 10 October 2022 Interest is payable at 5.170%. Included within amounts loaned to related parties is an amount of US\$159,144,780 which is repayable on 9 October 2025, unsecured and interest is payable at US\$ LIBOR 1M plus 3.98%.

11 Called up share capital

Authorised, allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	\$	No.	\$
Ordinary shares of \$10 each	28,199,183	281,991,830	28,199,183	281,991,830

12 Parent and ultimate parent undertaking

The company's immediate parent is Wavin B.V.

The ultimate parent is Orbia Advance Corporation, S.A.B. de C.V.

The most senior parent entity producing publicly available financial statements is Orbia Advance Corporation, S.A.B. de C.V. These financial statements are available upon request from <https://www.orbia.com/investor-relations/financial-reports/annual-reports-and-filings/>.

The ultimate controlling party is Orbia Advance Corporation, S.A.B de C.V.

Mexichem Wavin UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Parent and ultimate parent undertaking (continued)

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Orbia Advance Corporation, S.A.B. de C.V., incorporated in Mexico.

The address of Orbia Advance Corporation, S.A.B. de C.V. is:

Rio San Javier No 10, Fracc. Viveros del Rio, Tlalnepantla, Estado de Mexico, C.P. 54060.

The parent of the smallest group in which these financial statements are consolidated is Wavin B.V., incorporated in The Netherlands.

The address of Wavin B.V. is:

World Trade Center (WTC), Wavin Tower F9, Schiphol Boulevard 425, 1118 BK Schiphol, The Netherlands

13 Post balance sheet events

On the 27 June 2023, an amendment was made to an intercompany loan agreement, hereby changing the rate in which interest is charged from US\$ LIBOR 1M plus 3.81% to a fixed rate of 5.170% from 10 October 2022. The impact on the financial statements was a reduction in interest receivable for an amount of \$717,000 for the period 10 October 2022 to 31 December 2022 which has been reflected in the financial statements.