

Arkema Ltd.

Arkema Ltd.

**Annual report and financial statements
for the year ended 31 December 2018**

Registered number: 00868680



Arkema Ltd.

Directors

G Dee
P Martinez – Merello
F Lepinay

Secretary

P Hudson

Auditors

Ernst & Young LLP,
No.1 Colmore Square,
Birmingham,
B4 6HQ,
United Kingdom

Bankers

Lloyds Bank

Registered Office

c/o Bostik Limited,
Common Road,
Stafford,
ST16 3EH

Arkema Ltd.

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Arkema Ltd.

Strategic report for the year ended 31 December 2018

The directors present their strategic report on Arkema Ltd. ("the company") for the year ended 31 December 2018.

Principal activities

The company's principal activity during 2018 was that of a holding company. The company is part of the Arkema group.

Review of business and future developments

As shown on the company's income statement on page 9, revenue for the year was £nil (2017: £nil). The only income now generated by the business is dividends received from its' subsidiary companies, which for the year ended 31 December 2018 totalled £22,700,000 (2017: £5,000,000). The main expense relates to interest on intergroup loans.

The total profit after tax for the year was £19,817,000 (2017: £1,674,000).

Arkema Ltd. is the parent company of Bostik Limited, Sovereign Chemicals Limited and Siroflex Limited. The company expects to receive dividend income from these companies which will enable the company to repay its intercompany loan.

On 30 November 2018, the company acquired 1.67% of the share capital of Oxis Energy Limited for consideration of £1,000,000.

Subsequent to the year end, the company has acquired a further 1.67% of the share capital of Oxis Energy Limited for consideration of £1,000,000

Key performance indicators

The Board does not consider there are any financial Key Performance Indicators (KPIs) over and above the primary financial statements which are key to understanding the performance of the business.

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Strategic report for the year ended 31 December 2018 (continued)

Financial risk management

The company's subsidiaries, Bostik Limited, Sovereign Chemicals Limited and Siroflex Limited, are expected to provide a dividend income stream to support the outgoings of the company.

Principal risks and uncertainties

The remaining key risks for Arkema Ltd. are being unable to meet the loan repayment schedule or a significant deterioration in the value of its investments.

Arkema Ltd.'s principle source of income will now be dividend payments from subsidiaries. Bostik Limited and Arkema Ltd. have also put in place an agreement to surrender any tax losses incurred by Arkema Ltd. to Bostik Limited. Bostik Limited will make a payment equal to the corporation tax benefit it receives from the tax losses. The value of investments is monitored on an annual basis.

By order of the board



G Dee,
Director

27 September 2019

Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

Dividends

On 20 December 2018, the company paid a dividend totalling £7,141,000. (2017: £8,200,000).

Profit after tax

The profit after tax for the year was £19,817,000 (2017: £1,674,000).

Directors

The directors of the company who held office during the year were as follows:

G Dee
P Martinez – Merello
F Lepinay

In accordance with the articles of association, no directors retire by rotation.

Future developments

The future developments of the company are discussed in the strategic report.

Going concern

The directors have considered the following points in their assessment of the company's ability to continue to prepare accounts on the going concern basis:

- The level of expenditure that the company will incur for the 12 month period from the signature of the 2018 statutory accounts
- the availability of the available resources via the group cash pool facility,
- the ability of the company to control the assets of its subsidiaries.

Based on the assessment, the directors have a reasonable expectation that the company will have adequate financial resources to meet its obligations as they fall due for a period of at least 12 months from the signing of the financial statements and continue in existence for the foreseeable future.

For this reason, the directors continue to adopt the going concern basis for the preparation of the financial statements.

Directors' report for the year ended 31 December 2018 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; and
- prepare the financial statements on a 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.

Independent auditors

The independent auditors, Ernst & Young LLP, have indicated their willingness to continue in office.

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Directors' report for the year ended 31 December 2018 (continued)

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

By order of the board



G Dee,

Director

27

September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARKEMA LTD.

Opinion

We have audited the financial statements of Arkema Limited for the year ended 31 December 2018 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARKEMA LTD. (CONTINUED)

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARKEMA LTD (CONTINUED)

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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Andrew Merrick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham, UK

Date: 7 September 2019

Arkema Ltd.

Income statement for the year ended 31 December 2018

		2018	2017
	Note	£'000	£'000
Revenue	4	-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		374	4
Operating profit	5	374	4
Finance costs	8	(3,919)	(4,169)
Dividends received		22,700	5,000
Profit on ordinary activities before income tax		19,155	835
Tax on profit on ordinary activities	9	662	839
Profit for the financial year		19,817	1,674

Statement of comprehensive income for the year ended 31 December 2018

		2018	2017
	Note	£'000	£'000
Profit for the financial year		19,817	1,674
Total comprehensive income for the year		19,817	1,674

Arkema Ltd.

Statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investment in subsidiaries	11	148,350	148,350
Non-current financial assets	12	1,000	-
		149,350	148,350
Current assets			
Trade and other receivables	13	2,292	1,630
Cash and cash equivalents		3,098	-
		5,390	1,630
Creditors: amounts falling due within one year	14	(3,606)	(4,432)
Net current assets / (liabilities)		1,784	(2,802)
Total assets less current liabilities		151,134	145,548
Creditors: amounts falling due after more than one year	15	(92,050)	(98,750)
Provisions for liabilities	16	-	(390)
Net assets		59,084	46,408
Capital and reserves			
Called up share capital	17	39,150	39,150
Profit and loss account		19,934	7,258
Total shareholders' funds		59,084	46,408

The financial statements were approved by the board of directors on 23 September 2019 and were signed on its behalf by:



G Dee

Director

Registered number: 00868680

Arkema Ltd.

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Profit & loss account £'000	Total £'000
At 31 December 2017	39,150	13,784	52,934
Profit for the year	-	1,674	1,674
Total comprehensive income for the year	-	1,674	1,674
Dividend paid	-	(8,200)	(8,200)
At 1 January 2018	39,150	7,258	46,408
Profit for the year	-	19,817	19,817
Total comprehensive income for the year		19,817	19,817
Dividends paid	-	(7,141)	(7,141)
At 31 December 2018	39,150	19,934	59,084

Notes to the financial statements for the year ended 31 December 2018

1 General information

The principal activity of the company during the year was as a UK parent company. The company is subsidiary of Arkema SA and is incorporated and domiciled in the UK. The address of its registered office is c/o Bostik Limited, Common Road, Stafford, ST16 3EH. The financial statements were authorised for issue by the board of directors on27..... September 2019 and the balance sheet was signed on the board's behalf by G Dee.

2 Summary of significant accounting policies

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 are presented in sterling, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to produce group financial statements because it is a wholly owned subsidiary of Arkema SA, registered in France. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework (FRS 101) and, the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 20 gives details of the company's ultimate parent and from where its' consolidated financial statements prepared in accordance with IFRS may be obtained.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

The principle disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IFRS 13 fair value disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies (the company has no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16) and Intangible assets (IAS 38).

Going Concern

The directors have considered the following points in their assessment of the company's ability to continue to prepare accounts on the going concern basis:

- The level of expenditure that the company will incur for the 12 month period from the signature of the 2018 statutory accounts
- the availability of the available resources via the group cash pool facility,
- the ability of the company to control the assets of its subsidiaries.

Based on the assessment, the directors have a reasonable expectation that the company will have adequate financial resources to meet its obligations as they fall due for a period of at least 12 months from the signing of the financial statements and continue in existence for the foreseeable future.

For this reason, the directors continue to adopt the going concern basis for the preparation of the financial statements.

Foreign currencies

The functional and presentational currency of the company is Sterling. Transactions denominated in foreign currencies are recorded in Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange prevailing at that date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Financial instruments

The company's financial instruments comprise cash at bank, currency account balances held with the parent undertaking and equity investments in non-listed companies.

In general, the classification of current and non-current financial assets in accordance with IFRS 9 is based on the following measurement categories:

- at amortised cost,
- at fair value through profit or loss.

The classification into the relevant measurement category is determined by the business model based on the management of the respective financial asset and by the contractual cash flow characteristics of the financial asset.

The company's financial assets at amortised cost include cash at bank and currency account balances held with the parent undertaking.

Equity investments over which the company does not have significant control are valued at fair value through profit and loss. The company has elected to classify irrevocably its non-listed equity investments under this category.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet bank overdrafts are shown in current liabilities.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Leases as a Lessee

Assets held under a lease, which transfers to the company substantially all the risks and benefits associated with ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised as for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases. Rentals payable are charged to the income statement on a straight-line basis over the lease term.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes.

Fixed asset investments

Investments in group companies are stated at cost less provision for impairment.

Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where material to the company.

***New accounting requirements applied for the first time in the financial year
IFRS15 – Revenue Recognition***

In May 2014, the IASB published the new IFRS 15, Revenue from Contracts with Customers. The Standard introduces a new five-step model for revenue recognition, which is to be applied to all revenues from contracts with customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principles in IFRS 15 provide a structured approach to measurement and recognition of sales revenues. The scope of the Standard covers all kinds of sectors and entities and therefore supersedes all existing requirements concerning revenue recognition. This Standard is to be applied for the first time to financial years beginning on or after 1 January 2018.

The new standard did not have any material effect on the financial statements for the year ending 31 December 2018.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

IFRS9

On 24 July 2014, the IASB published the final version of IFRS 9 Financial Instruments, which supersedes IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings together the three project phases accounting for financial instruments: Classification and Measurement, Impairment and Hedge Accounting. IFRS 9 applies for the first time to financial years beginning on or after 1 January 2018. With the exception of hedge accounting, the Standard is to be applied retroactively, but presentation of comparative information is not required.

The Company has applied the new standard as of the date of it coming into force from 1 January 2018 without presenting a comparative period. The new standard did not have any material effect on the financial statements for the year ending 31 December 2018.

3 Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

b) Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

c) Intercompany receivables

The risk of default has been considered on the company's intercompany receivables and given the financial position of the counterparty, the risk is considered minimal and therefore no adjustment has been processed.

Arkema Ltd.

Notes to the financial statements for the year ended 31 December 2018 (continued)

4 Revenue

The company has had no turnover in the current or prior financial year and profit on ordinary activities before taxation arise primarily from its principal activity of being a holding company.

5 Operating profit

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2018	2017
	£'000	£'000
Auditors' remuneration		
Services relating to statutory audit	-	-
Release of provision (note 16)	(390)	-

Auditors remuneration for the year ended 31 December 2018 of £6,000 is borne by another Arkema group entity (2017: £6,000).

6 Remuneration of directors

All directors in the current and prior year are remunerated through other group companies and receive no emoluments for their services to Arkema Ltd. The director's services to Arkema Ltd. are considered inconsequential to their wider group roles.

Arkema Ltd.

Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Staff numbers and costs

The company employed no staff in the current or the prior financial year. Consequently, the company incurred no costs in relation salaries and the associated costs of employing individuals.

8 Interest

Finance costs	2018 £'000	2017 £'000
Group loans	(3,919)	(4,169)
	(3,919)	(4,169)

9 Tax on profit / (loss) on ordinary activities

	2018 £'000	2017 £'000
UK corporation tax:		
Current tax credit arising in the year	(676)	(805)
Adjustment in respect of prior years	12	(37)
Total current tax credit	(664)	(842)
Deferred tax:		
Origination and reversal of timing differences	2	3
Total deferred tax charge	2	3
Total tax credit	(662)	(839)

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Tax on profit on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19.00% (2017: 19.25%). The actual tax credit for the year is lower (2016: lower) than the standard rate for the reasons set out in the following reconciliation:

	2018	2017
	£'000	£'000
Profit before tax from continuing operations	19,155	835
Tax on profit on ordinary activities at standard rate	3,639	161
Factors affecting charge for the year:		
Prior year adjustments	12	(38)
Income not taxable	(4,313)	(962)
Total tax credit for the year	(662)	(839)
Income tax credit in the income statement	(662)	(839)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 19.00% (2017: 19.25%).

A further reduction to the UK tax rate has been announced which will reduce the rate by 2% per annum to 17% from 1 April 2020. The rates were substantively enacted on 26 October 2015. Any deferred tax has been recorded at a rate of 17%, being the average rate at which the closing deferred tax is expected to reverse.

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Deferred tax liabilities and assets

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior year. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%).

Movement on deferred taxation balance in the year		
	2018	2017
	£'000	£'000
At 1 January	11	14
Income statement charge (note 9)	(2)	(3)
At 31 December	9	11
	2018	2017
	£'000	£'000
Depreciation in excess of capital allowances	9	11
Total deferred tax asset	9	11

Arkema Ltd.

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Investments

	Shares in subsidiary undertakings £'000	Total £'000
Cost		
At 1 January 2018	148,350	148,350
At 31 December 2018	148,350	148,350
Impairment		
At 1 January 2018 and 31 December 2018	-	-
Net book amount		
At 31 December 2018	148,350	148,350
At 31 December 2017	148,350	148,350

The investments are performing in line with expectation and the forward cash flow forecast and profitability, remain positive. This is expected to remain the case for the remainder of 2018 and future years and therefore the directors do not consider that there are any indicators of impairment under IAS36.

	Principal activities	Country of registration	Class of share held	Proportion
Bostik Limited	Manufacture and sale of adhesives	England	Ordinary	100%
Siroflex Limited	Distribution of sealants and adhesives	England	Ordinary	100%
Sovereign Chemicals Limited	Manufacture and sale of damp proofing and condensation control products	England	Ordinary	100%

The registered offices of the subsidiary companies are:

Bostik Limited Ulverscroft Works Ulverscroft Road Leicester LE4 6BW	Sovereign Chemicals Limited Park Road Industrial Estate Park Road Barrow in Furness LA14 4EQ	Siroflex Limited Dodworth Business Park Dodworth Barnsley S75 3SP
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Arkema Ltd.

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Non-current financial assets

	Financial Assets £'000	Total £'000
Cost or fair value		
At 1 January 2018	-	-
Additions	1,000	1,000
At 31 December 2018	1,000	1,000
Impairment		
At 31 December 2018	-	-
Net book amount		
At 31 December 2018	1,000	1,000
At 31 December 2017	-	-

On 30 November 2018, the company acquired 1.67% of the share capital of Oxis Energy Limited for consideration of £1,000,000. This was funded by drawing down upon facilities offered by the ultimate parent company, Arkema SA. The fair value as at 31 December 2018 is considered to be £1,000,000.

Subsequent to the year end the company acquired a further 1.67% of the share capital of Oxis Energy Limited for consideration of £1,000,000.

13 Trade and other receivables

	2018 £'000	2017 £'000
Amounts due from group undertakings	2,175	1,555
Corporation tax	108	64
Deferred tax asset	9	11
	2,292	1,630

Amounts due from group undertakings include £nil (2017: £nil) which bears interest at LIBOR - 0.2% for deposits per annum. All amounts are unsecured and are repayable on demand.

Arkema Ltd.

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts due to group undertakings	3,606	4,432
	3,606	4,432

15 Creditors: amounts falling due after one year

	2018	2017
	£'000	£'000
Amounts due to group undertakings	92,050	98,750
	92,050	98,750

Included in amounts due to group undertakings is £92,050,000 (2017: £98,750,000) on which interest is charged.

The original principle loan is unsecured but repayable over a 10 year term commencing February 2015 at an interest rate of 4.53%. The company has funded the acquisition of Siroflex Limited by borrowing further funds from the group of £29.4m. The loan is unsecured but repayable over a 10 year term commencing 5 January 2017 at an interest rate of 2.53%

16 Provisions for liabilities

Current	Other provisions	Total
	£'000	£'000
At 31 December 2018	-	-
At 31 December 2017	390	390

Other provisions comprised a provision for the dilapidations of the Strood factory formerly occupied by the company. The directors now believe that any potential liability for such dilapidations is remote and have released the provision back to the income statement.

Arkema Ltd.

Notes to the financial statements for the year ended 31 December 2018 (continued)

17 Share capital

	2018	2017
	£'000	£'000
Allotted and fully paid		
39,150,000 (2017: 39,150,000) ordinary shares of £1 each	39,150	39,150

18 Capital and other commitments

There are no capital commitments at the end of the financial year (2017: £nil).

19 Capital management, financial risk management objectives and policies

An explanation of the company's financial instrument risk management objectives, policies and strategies is set out in the directors' report.

The directors consider that the company has minimal sensitivity to interest rate and foreign currency risk and hence have not presented sensitivity analysis.

20 Ultimate parent company and controlling party

The company's immediate parent undertaking is Arkema Europe SA, a company incorporated in France. Its registered office is at 420 rue d'Estienne d'Orves, 92700 Colombes, registered with the Nanterre Register of Companies, registration number 319 632 790 R.C.S.

In the directors' opinion the company's ultimate parent undertaking and controlling party is Arkema SA, a company incorporated in France. Its registered office and the address from which group financial statements can be obtained is at 420 rue d'Estienne d'Orves, 92700 Colombes, registered with the Nanterre Register of Companies, registration number 445 074 685 R.C.S.