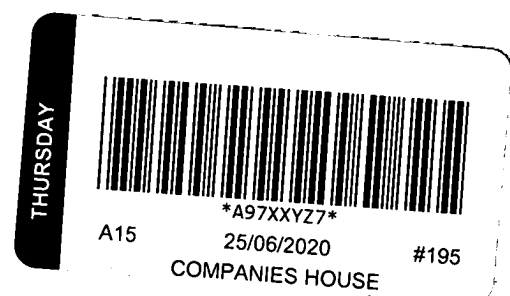


**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
BASILDON CHEMICAL CO. LIMITED**



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FOR THE YEAR ENDED 31 DECEMBER 2019**

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BASILDON CHEMICAL CO. LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019**

DIRECTORS:

I A Watling
M I Chung
H U Kim

REGISTERED OFFICE:

Kimber Road
Abingdon
Oxford
Oxfordshire
OX14 1RZ

REGISTERED NUMBER:

01016104 (England and Wales)

AUDITORS:

Graham Paul Chartered Accountants
5 Ash Tree Court
Woodsy Close
Cardiff Gate Business Park
Cardiff
CF23 8RW

SOLICITORS:

White & Black Legal LLP
Chalford Park
Oxford Road
Old Chalford
Oxfordshire
OX7 5QR
United Kingdom

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their strategic report of the company and the group for the year ended 31 December 2019.

REVIEW OF BUSINESS

The group's principal activity during the year continued to be the production and formulation of silicones for industry.

The group continued to develop new business in our key markets and applications but growth in these areas was hampered by adverse global market conditions compared to 2018.

The global silicone market experienced significant price decreases and excess supply throughout much of 2019. The group minimised the overall impact of these changes in the market and maintained market share at our key customers.

However, there was continuous downward pressure on pricing and this reduced both turnover and profitability throughout 2019.

The results for the 12 months and the financial position of the group are shown in the financial statements. The results reflect the factors described above.

The group completed a significant number of infrastructure projects in 2019 and completed capacity expansions in late 2019 that will provide cost savings and increased process capabilities in 2020.

Key Performance Indicators

The group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial and the most significant of these are the key performance indicators (KPI's). The KPI's for the year ended 31 December 2019 with comparatives for 2018 are summarised as follows:

	2019	2018
Gross Profit %	30%	33%
Turnover	£21,491,317	£24,775,778
Profit before tax	£2,454,257	£5,543,090

The long term strategy of Basildon Chemical Co. Limited remains on track. The main focus in 2019 was to control costs, reduce inventories and maintain market share. Despite unfavourable trading conditions we continued to invest in new products and innovative technology in order to develop business in markets that are less sensitive to reduced economic activity with speciality products.

In particular we acquired a new range of products for the consumer markets, mainly Personal Care, in Q4. We expect these products to show significant growth and contribution to the business in 2020.

Basildon Chemical Co. Limited uses the extensive facilities and resources held within KCC Corporation in order to enhance our technical capabilities and support the development of the business globally. There is significant interaction with KCC plants in China and Korea.

Basildon Chemical Co. Limited was acquired in 2011 by KCC Corporation in Korea. KCC is among the world's leading suppliers of building and industrial materials and its policies and procedures have been adopted by the group.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

PRINCIPAL RISKS AND UNCERTAINTIES

The group is exposed to low levels of price, credit, liquidity and cash flow risk. The group manages these risks by financing its operations through retained profits and has access to a full range of financial support available from its parent company if the need should ever arise.

The management's objectives are to retain sufficient liquid funds to enable it to meet its day to day trading requirements, to minimise the group's exposure to fluctuation customer cash flow, and manage future cash flows expected to arise from the group's trading activities.

The group makes little use of financial instruments other than an operational bank account so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

STRATEGY FOR GROWTH

Basildon Chemical Co. Limited continues to strengthen the existing product portfolio through the technical resources within the group, the acquisition of complimentary products targeted at our key markets and by the utilisation of the significant Research and Development capabilities in KCC Corporation, Korea that provides access to innovative and novel technology.

KCC Corporation has also strengthened Basildon Chemical Co. Limited, in terms of geographic coverage and enhanced relationships with certain key customers, particularly in the Asia Pacific Region. These factors made a positive contribution to the underlying strength of the business in the period under review and we expect them to make a more significant impact going forward resulting in increased sales to our target customers and markets.

In September 2018 MPM Holdings Inc, a global silicones and advanced materials company, and SJL Partners LLC, KCC Corporation and Wonik QnC Corporation (collectively, the "Investor Group"), entered into a definitive merger agreement whereby the Investor Group will acquire Momentive in a transaction valued at approximately \$3.1 billion, including the assumption of net debt, pension and OPEB liabilities. This transaction was completed in May 2019 and we expect certain strategic synergies to result from the merger that will positively impact Basildon Chemical Co Limited in 2020.

In 2019 Basildon Chemical Co Ltd continued to focus on regulated markets and applications and on customers that manufacture and supply consumer products. The group's products provide bespoke solutions to a wide range of customer needs. These range from improving the efficiency of processes through to enhancing the efficacy of our customer's product formulations. This strategy remains fundamental to future investment plans and will support our further expansion into new applications and markets.

We believe that the recent capital investments and those scheduled for 2020, together with on-going development of our technology platforms will enable the group to grow the business and improve earnings going forward.

ON BEHALF OF THE BOARD:



.....
I A Watling - Director

Date: 09 JUNE 2020

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2019.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

The profit for the year after providing for depreciation and taxation amounted to £1,950,162 (2018 - £3,740,530).

The directors do not recommend payment of a dividend.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

I A Watling
M I Chung
H U Kim

GOING CONCERN

As part of its regular assessment of the prospects for the Group, the Board has reviewed a cash flow forecast for the next 12 months, including a detailed plan to 31 December 2020.

As a result, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

DISCLOSURE IN THE STRATEGIC REPORT

Disclosures required under Schedule 7 have been disclosed in the Strategic Report in accordance with S414C(11) of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. 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 the group and of the profit or loss of the group 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;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BASILDON CHEMICAL CO. LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

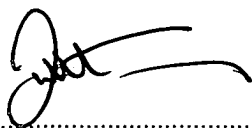
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Graham Paul Chartered Accountants, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
I A Watling - Director

Date: 09 JUNE 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BASILDON CHEMICAL CO. LIMITED

Opinion

We have audited the financial statements of Basildon Chemical Co. Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated , the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group'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.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

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 this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BASILDON CHEMICAL CO. LIMITED

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 Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Statement of Directors' Responsibilities set out on page four, 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 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BASILDON CHEMICAL CO. LIMITED**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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.

Nigel Williams BCOM FCA (Senior Statutory Auditor)
for and on behalf of Graham Paul Chartered Accountants
5 Ash Tree Court
Woodsy Close
Cardiff Gate Business Park
Cardiff
CF23 8RW

9 June 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
CONTINUING OPERATIONS			
Revenue	3	21,491,317	24,775,778
Cost of sales		(15,072,720)	(16,542,170)
GROSS PROFIT	-	6,418,597	8,233,608
Other operating income	4	(11,781)	85,864
Distribution costs		(658,344)	(664,051)
Administrative expenses		(3,011,779)	(2,849,639)
Other operating expenses	5	(360,216)	(338,678)
OPERATING PROFIT		2,376,477	4,467,104
Finance costs	7	(13,096)	(160)
Finance income	7	90,876	76,146
PROFIT BEFORE INCOME TAX	8	2,454,257	4,543,090
Income tax	10	(505,449)	(802,560)
PROFIT FOR THE YEAR		1,948,808	3,740,530
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation		3,549	20,658
Income tax relating to item that may be reclassified subsequently to profit or loss		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		3,549	20,658
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,952,357	3,761,188
Profit attributable to:			
Owners of the parent		1,948,808	3,740,530
Total comprehensive income attributable to:			
Owners of the parent		1,952,357	3,761,188

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

	Notes	2019 £	2018 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	142,248	-
Owned			
Intangible assets	13	386,865	181,818
Property, plant and equipment	14	5,397,686	4,320,583
Right-of-use			
Property, plant and equipment	14, 23	381,524	-
Investments	15	-	-
		<u>6,308,323</u>	<u>4,502,401</u>
CURRENT ASSETS			
Inventories	16	4,352,145	5,255,441
Trade and other receivables	17	4,085,627	4,792,074
Tax receivable		43,127	-
Cash and cash equivalents	18	14,698,864	13,869,522
		<u>23,179,763</u>	<u>23,917,037</u>
TOTAL ASSETS		<u>29,488,086</u>	<u>28,419,438</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	19	100,000	100,000
Other reserves	20	(53,305)	(56,854)
Retained earnings	20	27,133,495	25,184,687
TOTAL EQUITY		<u>27,180,190</u>	<u>25,227,833</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	22	260,450	-
Deferred tax	24	283,563	123,755
		<u>544,013</u>	<u>123,755</u>
CURRENT LIABILITIES			
Trade and other payables	21	1,637,968	2,818,586
Financial liabilities - borrowings			
Interest bearing loans and borrowings	22	125,915	-
Tax payable		-	249,264
		<u>1,763,883</u>	<u>3,067,850</u>
TOTAL LIABILITIES		<u>2,307,896</u>	<u>3,191,605</u>
TOTAL EQUITY AND LIABILITIES		<u>29,488,086</u>	<u>28,419,438</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 June 2020 and were signed on its behalf by:

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
31 DECEMBER 2019



.....
I A Watling - Director

The notes form part of these financial statements

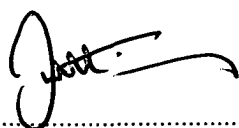
COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

	Notes	2019 £	2018 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	-	-
Owned			
Intangible assets	13	386,865	181,818
Property, plant and equipment	14	5,395,626	4,310,949
Right-of-use			
Property, plant and equipment	14, 23	381,524	-
Investments	15	302,250	300,000
		<u>6,466,265</u>	<u>4,792,767</u>
CURRENT ASSETS			
Inventories	16	4,352,145	5,255,441
Trade and other receivables	17	4,197,970	4,692,726
Tax receivable		43,127	-
Cash and cash equivalents	18	14,333,384	13,531,392
		<u>22,926,626</u>	<u>23,479,559</u>
TOTAL ASSETS		<u>29,392,891</u>	<u>28,272,326</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	19	100,000	100,000
Retained earnings	20	26,985,934	25,029,278
TOTAL EQUITY		<u>27,085,934</u>	<u>25,129,278</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	22	260,450	-
Deferred tax	24	283,563	123,755
		<u>544,013</u>	<u>123,755</u>
CURRENT LIABILITIES			
Trade and other payables	21	1,637,029	2,770,029
Financial liabilities - borrowings			
Interest bearing loans and borrowings	22	125,915	-
Tax payable		-	249,264
		<u>1,762,944</u>	<u>3,019,293</u>
TOTAL LIABILITIES		<u>2,306,957</u>	<u>3,143,048</u>
TOTAL EQUITY AND LIABILITIES		<u>29,392,891</u>	<u>28,272,326</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 June 2020 and were signed on its behalf by:

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION - continued
31 DECEMBER 2019



.....
I A Watling - Director

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 January 2018	100,000	21,444,157	(77,512)	21,466,645
Changes in equity				
Total comprehensive income	-	3,740,530	20,658	3,761,188
Balance at 31 December 2018	100,000	25,184,687	(56,854)	25,227,833
Changes in equity				
Total comprehensive income	-	1,948,808	3,549	1,952,357
Balance at 31 December 2019	100,000	27,133,495	(53,305)	27,180,190

The notes form part of these financial statements

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	100,000	21,329,667	21,429,667
Changes in equity			
Total comprehensive income	-	3,699,611	3,699,611
Balance at 31 December 2018	100,000	25,029,278	25,129,278
Changes in equity			
Total comprehensive income	-	1,956,656	1,956,656
Balance at 31 December 2019	100,000	26,985,934	27,085,934

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	3,476,591	2,996,069
Interest paid		-	(160)
Lease interest paid		(13,096)	-
Tax paid		(638,032)	(1,011,134)
Net cash from operating activities		<u>2,825,463</u>	<u>1,984,775</u>
Cash flows from investing activities			
Purchase of goodwill		(142,248)	-
Purchase of intangible fixed assets		(286,783)	(158,465)
Purchase of tangible fixed assets		(1,601,834)	(835,372)
Sale of tangible fixed assets		16,901	26,270
Interest received		90,876	76,146
Net cash from investing activities		<u>(1,923,088)</u>	<u>(891,421)</u>
Cash flows from financing activities			
Payment of lease liabilities		(73,033)	-
Net cash from financing activities		<u>(73,033)</u>	<u>-</u>
Increase in cash and cash equivalents		<u>829,342</u>	<u>1,093,354</u>
Cash and cash equivalents at beginning of year	2	<u>13,869,522</u>	<u>12,776,168</u>
Cash and cash equivalents at end of year	2	<u><u>14,698,864</u></u>	<u><u>13,869,522</u></u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2019 £	2018 £
Profit before income tax	2,454,257	4,543,090
Depreciation charges	677,036	460,911
Profit on disposal of fixed assets	(786)	(13,862)
Exchange loss on consolidation	24,647	20,658
Finance costs	13,096	160
Finance income	(90,876)	(76,146)
	<u>3,077,374</u>	<u>4,934,811</u>
Decrease/(increase) in inventories	903,296	(1,362,329)
Decrease/(increase) in trade and other receivables	706,447	(172,955)
Decrease in trade and other payables	(1,210,526)	(403,458)
Cash generated from operations	<u><u>3,476,591</u></u>	<u><u>2,996,069</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2019

	31.12.19 £	1.1.19 £
Cash and cash equivalents	<u>14,698,864</u>	<u>13,869,522</u>

Year ended 31 December 2018

	31.12.18 £	1.1.18 £
Cash and cash equivalents	<u>13,869,522</u>	<u>12,776,168</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. STATUTORY INFORMATION

Basildon Chemical Co. Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2019. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities. The results of the subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition, as appropriate. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the significant risk and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of production or the product being ready for delivery, based on specific contract terms.

Revenue from a contract to provide services is recognised when the group has performed its obligations and in exchange obtained the right to consideration.

As such revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the group.

Royalty revenue is recognised on an accrual basis with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income 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.

Goodwill

Goodwill is recorded as an intangible asset and is the surplus of the cost of acquisition over the fair value of identifiable net assets acquired. Goodwill is reviewed annually for impairment. Any impairment identified as a result of the review is charged in the statement of profit or loss and other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of three years.

Development costs are being amortised evenly over their estimated useful life of four years.

Computer software is being amortised evenly over its estimated useful life of three years.

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, plus any costs directly attributable to bringing the asset to its working condition for intended use.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- Straight line over 50 years and Straight line over 30 years
Fixtures and fittings	- Straight line over 3 - 15 years
Motor Vehicles	- Straight line over 2 - 5 years

Freehold land is not depreciated.

The assets' residual values, estimated useful lives and depreciation methodology are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal of an item of property, plant and equipment is reported as the difference between sale proceeds and the carrying amount of the asset and is recognised in the profit and loss account of the group.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out (FIFO) basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Group values all finished goods inventory items initially at average cost. More complex products have an overhead added to them using a standard basis of calculation. The more complex the product is to manufacture, the higher the overhead rate attributed.

Full provision is made for obsolete and slow moving items.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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, as 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group 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 the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Research costs

Research costs are written off through the income statement as an expense in the year in which they are incurred

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currency) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items 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 retranslated 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Leases

From 1 January 2019 the Group has applied IFRS 16 Leases. Accordingly leases are all accounted for in the same manner:

- A right of use asset and lease liability is recognised on the statement of financial position, initially measured at the present value of future lease payments;
- Depreciation of right-of-use assets and interest on lease liabilities are recognised in the statement of comprehensive income;
- The total amount of cash paid is recognised in the statement of cash flows, split between payments of principal (within financing activities) and interest (within operating activities).

The initial measurement of the right of use asset and lease liability takes into account the value of lease incentives such as rent free periods.

The costs of leases of low value items and those with a short term at inception are recognised as incurred.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

In the comparative period, the Group recognised leases under IAS 17. Operating lease payments were recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

On transition to IFRS 16, the Group recognised an additional £167,080 of right of use assets and lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5%.

	£
Operating lease commitment at 31 December 2018	250,160
Discounted using the incremental borrowing rate at 1 January 2019	239,530
Recognition exemption for:	
- Short term leases	(3,510)
- Lease of low value assets	(3,138)
	<hr/>
Lease liabilities recognised at 1 January 2019	<u><u>232,882</u></u>

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Going concern

As part of its regular assessment of the prospects for the Group, the Board has reviewed a cash flow forecast for the next 12 months, including a budget forecast to 31 December 2020.

As a result of their considerations, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Operating segments

The group adopted International Financial Reporting Standard 8 "Operating Segments" for its financial statements for the year 31 December 2019. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance.

Business combinations

The acquisition of subsidiary companies is accounted for using the purchase method. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and the equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews that carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects the 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 estimated recoverable amount is lower than the carrying amount, the carrying amount of the asset is reduced to its estimated recoverable amount and an impairment loss is recognised in profit or loss and other comprehensive income.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its selling price less cost to complete and sell. If an item of inventory is impaired, its carrying amount is reduced to selling price less cost to complete and sell, and an impairment loss is recognised in profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Trade and other receivables

Most sales are made under normal credit terms and the receivables do not bear interest. At the end of each financial year, the carrying of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Trade and other payables

Trade and other payables are initially recognised at fair value, which is the agreed market price at the time goods or services are provided, and are subsequently measured at amortised cost. The Group accrues for all goods or services consumed but as yet unbilled at amounts representing management's best estimate of fair values.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the directors of the Company are required to make judgements, 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 estimates 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.

The following are the critical judgement, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, the the directors have made in the process of applying the Group's accounting policies and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for bad debts

The Group makes provision for the element of debts which it believes will not be recovered from customers. This is based on past experience and detailed analysis of the outstanding position.

2. ACCOUNTING POLICIES - continued
Impairment

The assets on the Statement of Financial Position are reviewed for any indications of impairment. This is done with reference to the recoverability and market value of the assets concerned but may involve an element of judgement or estimation in determining whether there are any indications of impairment and, if so, the extent of any impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

3. REVENUE

Segmental reporting

IFRS8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risk returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

The Group does not have reportable segments by trading type and therefore reviews its results by investment and its reportable segments under IFRS 8 are therefore as follows:

- Basildon Chemical Co. Limited - production & selling of silicones for industry
- KCC Europe GmbH - non-trading sales support
- KCC Basildon Limited - production & selling of silicones for industry

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by reportable segment in 2019:

	Basildon Chemical Co. Limited 2019 £	KCC Europe GmbH 2019 £	KCC Basildon Ltd 2019 £	Total 2019 £
Revenue				
Sale of goods	21,211,296	-	54,049	21,265,345
Other operating income	112,402	225,972	-	338,374
Total Revenue	21,323,698	225,972	54,049	21,603,719
Result				
Gross Profit/(Loss)	6,430,261	(1,729)	(9,935)	6,418,597
Central Administration costs	(3,786,301)	(246,674)	(9,145)	(4,042,120)
Operating profit				2,376,477
Finance costs				(13,096)
Investment revenue				90,876
Profit before tax				2,454,257
Tax				(505,449)
Profit after tax				1,948,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

Geographical information

The Group's revenue from external customers by geographical location is shown below: KCC Europe GmbH operates as a non-trading sales support function and therefore its revenue is generated by recharging expenses to KCC Corporation, the ultimate parent company registered in the Republic of Korea. As a result none of the revenue generated by KCC Europe is attributable to external customers.

	Basildon Chemical Co. Limited 2019 £	KCC Europe GmbH 2019 £	KCC Basildon Ltd 2019 £	Basildon Chemical Co. Limited 2018 £	KCC Europe GmbH 2018 £
United Kingdom	4,401,668	-	54,049	5,74,962	-
Europe	9,285,160	-	-	10,567,720	-
Rest of World	7,750,440	-	-	8,466,096	-

Revenue from contracts with customers

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

	2019 £	2018 £
Revenue from the sale of goods	21,491,317	24,775,778
Revenue from the rendering of services	-	-
	<u>21,491,317</u>	<u>24,775,778</u>

Timing of revenue recognition:

At a point in time	21,491,317	24,775,778
Over time	-	-
	<u>21,491,317</u>	<u>24,775,778</u>

Contract balances

	2019 £	2018 £
Receivables included in "Trade and other receivables"	<u>3,515,273</u>	<u>4,032,422</u>

4. OTHER OPERATING INCOME

	2019 £	2018 £
Royalties	111,616	34,199
Exchange gains/(losses)	(123,397)	51,665
	<u>(11,781)</u>	<u>85,864</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

5. OTHER OPERATING EXPENSES

	2019	2018
	£	£
Healthcare	24,051	25,969
Life assurance	28,962	31,882
Security costs	19,068	27,639
Integration costs	19,077	19,000
Computer software & maintenanc	71,164	57,223
Laboratory expenses	173,251	160,853
Subscriptions	24,643	16,112
	<u>360,216</u>	<u>338,678</u>

6. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	3,149,964	3,314,052
Social security costs	292,251	263,333
Other pension costs	153,675	139,760
	<u>3,595,890</u>	<u>3,717,145</u>

The average number of employees during the year was as follows:

	2019	2018
Distribution	34	33
Manufacturing	29	29
Support	4	4
	<u>67</u>	<u>66</u>

	2019	2018
	£	£
Directors' remuneration	299,803	270,873
Directors' pension contributions to money purchase schemes	<u>14,447</u>	<u>11,441</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2019	2018
Money purchase schemes	<u>1</u>	<u>1</u>

Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	158,854	143,745
Pension contributions to money purchase schemes	<u>14,447</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

7. NET FINANCE INCOME

	2019 £	2018 £
Finance income:		
Deposit account interest	86,594	76,146
Interest due on overpaid tax	4,282	-
	<u>90,876</u>	<u>76,146</u>
Finance costs:		
Bank interest	-	160
Leasing	13,096	-
	<u>13,096</u>	<u>160</u>
Net finance income	<u>77,780</u>	<u>75,986</u>

8. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting):

	2019 £	2018 £
Cost of inventories recognised as expense	15,072,720	16,542,170
Leases	17,137	76,628
Depreciation - owned assets	508,289	444,442
Depreciation - assets on finance leases	77,874	-
Profit on disposal of fixed assets	(786)	(13,862)
Patents and licences amortisation	6,158	-
Development costs amortisation	16,469	16,469
Computer software amortisation	59,109	-
Foreign exchange differences	148,044	(32,172)

9. AUDITORS' REMUNERATION

	2019 £	2018 £
Fees payable to the company's auditors for the audit of the company's financial statements	13,050	10,000
Auditors' remuneration for non audit work	<u>1,795</u>	<u>970</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

10. INCOME TAX**Analysis of tax expense**

	2019 £	2018 £
Current tax:		
Tax	345,641	822,833
Prior period adjustment	-	(29,619)
Total current tax	345,641	793,214
Deferred tax	159,808	9,346
Total tax expense in consolidated statement of profit or loss and other comprehensive income	505,449	802,560

Factors affecting the tax expense

The tax assessed for the year is higher (2018 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before income tax	2,454,257	4,543,090
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	466,309	863,187
Effects of:		
Expenses not deductible in determining taxable profit	14,227	1,734
Capital allowances for period in excess of depreciation	(143,517)	(1,166)
Adjustments to tax charge on consolidation	14,382	(36,495)
Deferred tax movement	159,808	9,346
Withholding taxes	(5,040)	(5,039)
Adjustments to tax charge in respect of previous periods	-	(29,007)
Group Relief	(720)	-
Tax expense	505,449	802,560

11. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £1,956,656 (2018 - £3,699,611).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

12. **GOODWILL**

Group

	£
COST	
Additions	142,248
At 31 December 2019	<u>142,248</u>
NET BOOK VALUE	
At 31 December 2019	<u><u>142,248</u></u>

13. **INTANGIBLE ASSETS**

Group

	Patents and licences £	Development costs £	Computer software £	Totals £
COST				
At 1 January 2019	-	65,874	158,465	224,339
Additions	71,848	-	214,935	286,783
At 31 December 2019	<u>71,848</u>	<u>65,874</u>	<u>373,400</u>	<u>511,122</u>
AMORTISATION				
At 1 January 2019	-	42,521	-	42,521
Amortisation for year	6,158	16,469	59,109	81,736
At 31 December 2019	<u>6,158</u>	<u>58,990</u>	<u>59,109</u>	<u>124,257</u>
NET BOOK VALUE				
At 31 December 2019	<u>65,690</u>	<u>6,884</u>	<u>314,291</u>	<u>386,865</u>
At 31 December 2018	<u>-</u>	<u>23,353</u>	<u>158,465</u>	<u>181,818</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

13. INTANGIBLE ASSETS - continued

Company

	Patents and licences £	Development costs £	Computer software £	Totals £
COST				
At 1 January 2019	-	65,874	158,465	224,339
Additions	71,848	-	214,935	286,783
	<u>71,848</u>	<u>65,874</u>	<u>373,400</u>	<u>511,122</u>
At 31 December 2019	71,848	65,874	373,400	511,122
AMORTISATION				
At 1 January 2019	-	42,521	-	42,521
Amortisation for year	6,158	16,469	59,109	81,736
	<u>6,158</u>	<u>58,990</u>	<u>59,109</u>	<u>124,257</u>
At 31 December 2019	6,158	58,990	59,109	124,257
NET BOOK VALUE				
At 31 December 2019	<u>65,690</u>	<u>6,884</u>	<u>314,291</u>	<u>386,865</u>
At 31 December 2018	<u>-</u>	<u>23,353</u>	<u>158,465</u>	<u>181,818</u>

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold property £	Short leasehold £	Plant and machinery £
COST			
At 1 January 2019	3,867,541	-	-
Additions	12,169	202,270	257,128
Disposals	-	-	-
Exchange differences	-	-	-
	<u>3,879,710</u>	<u>202,270</u>	<u>257,128</u>
At 31 December 2019	3,879,710	202,270	257,128
DEPRECIATION			
At 1 January 2019	1,043,138	-	-
Charge for year	68,191	41,792	36,082
Eliminated on disposal	-	-	-
	<u>1,111,329</u>	<u>41,792</u>	<u>36,082</u>
At 31 December 2019	1,111,329	41,792	36,082
NET BOOK VALUE			
At 31 December 2019	<u>2,768,381</u>	<u>160,478</u>	<u>221,046</u>
At 31 December 2018	<u>2,824,403</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT - continued

Group

	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1 January 2019	7,897,980	234,036	11,999,557
Additions	1,544,653	45,012	2,061,232
Disposals	(12,960)	(52,990)	(65,950)
Exchange differences	(52)	(275)	(327)
At 31 December 2019	9,429,621	225,783	13,994,512
DEPRECIATION			
At 1 January 2019	6,513,222	122,614	7,678,974
Charge for year	397,886	42,212	586,163
Eliminated on disposal	(12,960)	(36,875)	(49,835)
At 31 December 2019	6,898,148	127,951	8,215,302
NET BOOK VALUE			
At 31 December 2019	2,531,473	97,832	5,779,210
At 31 December 2018	1,384,758	111,422	4,320,583

15. INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2019	300,000
Additions	2,250
At 31 December 2019	302,250
NET BOOK VALUE	
At 31 December 2019	302,250
At 31 December 2018	300,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. INVESTMENTS - continued

Company

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

KCC Europe GmbH

Registered office: Hansaring 61, 50670 Köln, Germany

Nature of business: Selling operation

	% holding	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		400,264	398,303
Profit for the year		<u>21,282</u>	<u>60,098</u>

KCC Basildon Ltd

Registered office: 7 Kimber Road, Off Nuffield Way, Abingdon, Oxon, England, OX14 1RZ

Nature of business: Selling operation

	% holding	2019 £
Class of shares:		
Ordinary	100.00	
Aggregate capital and reserves		(10,874)
Loss for the year		<u>(10,874)</u>

16. INVENTORIES

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Raw materials	2,124,742	3,111,031	2,124,742	3,111,031
Finished goods	2,227,403	2,144,410	2,227,403	2,144,410
	<u>4,352,145</u>	<u>5,255,441</u>	<u>4,352,145</u>	<u>5,255,441</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Current:				
Trade debtors	3,515,273	4,032,422	3,494,160	4,008,270
Amounts owed by group undertakings	-	-	140,512	-
Amounts owed by associates	56,062	20,881	56,062	20,881
Other debtors	1,380	35,180	-	-
VAT	354,254	582,635	350,712	579,680
Prepayments	158,658	120,956	156,524	83,895
	<u>4,085,627</u>	<u>4,792,074</u>	<u>4,197,970</u>	<u>4,692,726</u>

The average credit period on sales of goods is 60 days (2018 : 59 days). The Group reviews receivables on an individual customer basis and makes provisions accordingly.

The Group has recognised an allowance for doubtful debts of £6,400 (2018 £Nil). No other allowance for doubtful debts has been recognised as there have been no significant change in credit quality and the amounts are considered recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was originally granted up to the reporting date. The Directors believe there is a requirement to make a provision against receivables that are due for payment and that the carrying amount of trade and other receivables approximate to their fair value.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Cash in hand	323	359	323	359
Bank deposit account	14,698,541	13,869,163	14,333,061	13,531,033
	<u>14,698,864</u>	<u>13,869,522</u>	<u>14,333,384</u>	<u>13,531,392</u>

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits. The carrying amount of these assets approximates to their fair value.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2019	2018
Number:	Class:		£	£
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. RESERVES

Group	Retained earnings £	Other reserves £	Totals £
At 1 January 2019	25,184,687	(56,854)	25,127,833
Profit for the year	1,948,808		1,948,808
Foreign currency translation reserve	-	3,549	3,549
At 31 December 2019	<u>27,133,495</u>	<u>(53,305)</u>	<u>27,080,190</u>

Company	Retained earnings £
At 1 January 2019	25,029,278
Profit for the year	1,956,656
At 31 December 2019	<u>26,985,934</u>

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Current:				
Trade creditors	649,088	1,110,678	619,581	1,065,017
Amounts owed to group undertakings	378,495	1,055,068	409,409	1,055,068
Amounts owed to associates	6,167	12,389	6,167	12,389
Social security and other taxes	69,222	64,200	66,876	61,304
Accrued expenses	534,996	576,251	534,996	576,251
	<u>1,637,968</u>	<u>2,818,586</u>	<u>1,637,029</u>	<u>2,770,029</u>

The average credit period taken to pay for trade purchases is 16 days (2018: 24 days). The Group does not incur interest charges on late payment of creditors. It has financial risk management policies in place to ensure that all payables are paid within the credit period agreed with the supplier. The directors consider that the carrying amount of its other financial liabilities approximates to their fair value.

22. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Current:				
Leases (see note 23)	<u>125,915</u>	<u>-</u>	<u>125,915</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

22. FINANCIAL LIABILITIES - BORROWINGS - continued

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Non-current: Leases (see note 23)	<u>260,450</u>	<u>-</u>	<u>260,450</u>	<u>-</u>

Terms and debt repayment schedule

Group

	1 year or less £	1-2 years £	2-5 years £	Totals £
Leases	<u>125,915</u>	<u>110,285</u>	<u>150,165</u>	<u>386,365</u>

23. LEASING

Group
Right-of-use assets

Property, plant and equipment

	2019 £	2018 £
COST		
Additions	<u>459,398</u>	<u>-</u>
DEPRECIATION		
Charge for year	<u>77,874</u>	<u>-</u>
NET BOOK VALUE	<u>381,524</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**Company****Right-of-use assets****Property, plant and equipment**

	2019 £	2018 £
COST		
Additions	459,398	-
DEPRECIATION		
Charge for year	77,874	-
NET BOOK VALUE	381,524	-

Group**Other leases**

	2019 £	2018 £
Short-term leases	12,970	76,628
Low-value assets leases	4,167	-

Group**Lease liabilities**

Minimum lease payments fall due as follows:

	2019 £	2018 £
Gross obligations repayable:		
Within one year	145,233	-
Between one and five years	286,015	-
	431,248	-
Finance charges repayable:		
Within one year	19,318	-
Between one and five years	25,565	-
	44,883	-
Net obligations repayable:		
Within one year	125,915	-
Between one and five years	260,450	-
	386,365	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

23. LEASING - continued

Company
Lease liabilities

Minimum lease payments fall due as follows:

	2019 £	2018 £
Gross obligations repayable:		
Within one year	145,233	-
Between one and five years	286,015	-
	<u>431,248</u>	<u>-</u>
Finance charges repayable:		
Within one year	19,318	-
Between one and five years	25,565	-
	<u>44,883</u>	<u>-</u>
Net obligations repayable:		
Within one year	125,915	-
Between one and five years	260,450	-
	<u>386,365</u>	<u>-</u>

24. DEFERRED TAX

The following is the deferred tax liability recognised by the group and movements in the provision during the current and prior reporting period.

Group

	2019 £	2018 £
Balance at 1 January	123,755	114,409
Charge to Income	159,808	9,346
Balance at 31 December	<u>283,563</u>	<u>123,755</u>

Company

	2019 £	2018 £
Balance at 1 January	123,755	114,409
Charge to income	159,808	9,346
Balance at 31 December	<u>283,563</u>	<u>123,755</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Pension costs recognised in profit or loss amounted to £139,228 (2018 £128,319). As at 31 December 2019, contributions of £Nil (2018 £nil) in respect of the 2019 (2018) reporting period had not been paid over to the plans.

26. ULTIMATE PARENT COMPANY

At 31 December 2019, the ultimate parent undertaking and controlling party of the Group is KCC Corporation, a company registered in the Republic of South Korea.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**27. RELATED PARTY DISCLOSURES**

Balances and transactions between the company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

During the year, the Group entered into the following trading transactions with other related parties:

	2019 £	2018 £
KCC Corporation		
Revenue: re-imbursement of expenses	75,297	97,251
Purchases & expenses	4,082,276	5,657,657
KCC Chemical (Guangzhou) Co. Limited		
Royalty income	56,062	20,881
KCC Boya Sanayi Ve Tic. Ltd		
Purchases & expenses	85,199	86,059

The following balances were outstanding at the end of the reporting period:

	2019 £	2018 £
Amounts owed by related parties		
KCC Chemical (Guangzhou) Co. Limited	56,062	20,881
Amounts owed to related parties		
KCC Corporation	378,495	1,017,578
KCC Boya Sanayi Ve Tic. Ltd	6,167	12,389

Sales of goods to related parties were made at the Group's usual list price. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out at note 6 to the financial statements in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.