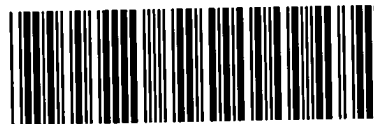


**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
FOR
BASILDON CHEMICAL CO. LIMITED**

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BASILDON CHEMICAL CO. LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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BASILDON CHEMICAL CO. LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

BASILDON CHEMICAL CO. LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report of the company and the group for the year ended 31 December 2017.

REVIEW OF BUSINESS

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

In this report references to "Group" mean the "Company" Basildon Chemical Co. Limited and its 100% owned subsidiary KCC Europe GmbH based in Germany.

The Group continued to develop business in our key markets and applications. Growth in these areas was strong in 2017 and Basildon Chemical Co. Limited increased sales with strategically important customers.

The Group remained committed to operational excellence in 2017 and achieved some significant cost savings through process improvements that contributed significantly to the improvement in gross profit, despite some significant raw material price increases.

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 namely sales growth with key strategic customers, cost control and process improvements in operations. The Group undertook started some major infrastructure improvements in 2017 and these will completed in 2018.

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 2017 with comparatives for 2016 are summarised as follows:

	2017	2016
Gross Profit %	35%	33%
Turnover	£21,528,769	£17,016,815
Profit before tax	£3,896,105	£2,901,723

The long term strategy of Basildon Chemical Co. Limited remains on track. The main focus in 2017 was to control costs (reflected in the improvement in gross margin) and investment in technology to develop business in markets that are less sensitive to reduced economic activity with speciality products. 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 company.

BASILDON CHEMICAL CO. LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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 fluctuating customer cash flow, and manage future cash flows expected to arise from the Group's trading activities.

The company 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

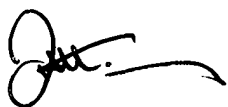
Basildon Chemical Co. Limited continues to strengthen the existing product portfolio through the technical resources within the company and by the utilisation of the significant Research and Development capabilities in KCC Corporation, Korea that provides access to innovative and novel technology. KCC 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.

Basildon Chemical Co. Limited invested in several infrastructure projects during 2017. These included upgrades to our manufacturing operations. Further investments are scheduled for 2018.

In 2017 the Group 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 a customer's product formulations. This strategy remains fundamental to future investment plans and will support further expansion into new applications and markets.

We believe that the recent capital investments and those scheduled for 2018, 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: th 27 March 2018

BASILDON CHEMICAL CO. LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2017.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017.

The profit for the year after providing for depreciation and taxation amounted to £3,144,983 (2016 - £2,314,074).

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 2017 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 2018.

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 2017**

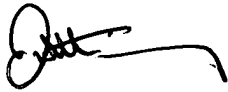
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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: th 27 March 2018

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 2017 on pages eight to thirty two. 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.

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.

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 2017 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 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, 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**

Opinion 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.

Our 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.



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

Date: 27 March 2018

BASILDON CHEMICAL CO. LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
CONTINUING OPERATIONS			
Revenue	3	21,528,769	17,016,815
Cost of sales		(14,022,936)	(11,457,218)
GROSS PROFIT		7,505,833	5,559,597
Other operating income	4	7,206	445,146
Distribution costs		(898,843)	(683,100)
Administrative expenses		(2,502,453)	(2,233,153)
Other operating expenses	5	(266,412)	(239,431)
OPERATING PROFIT		3,845,331	2,849,059
Finance costs	7	(1,571)	-
Finance income	7	52,345	52,664
PROFIT BEFORE INCOME TAX	8	3,896,105	2,901,723
Income tax	10	(751,122)	(587,649)
PROFIT FOR THE YEAR		3,144,983	2,314,074
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(44,843)	138,969
Income tax relating to item of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		(44,843)	138,969
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,100,140	2,453,043
Profit attributable to:			
Owners of the parent		<u>3,144,983</u>	<u>2,314,074</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>3,100,140</u>	<u>2,453,043</u>

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

	Notes	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	39,822	56,290
Property, plant and equipment	13	3,942,097	4,029,150
Investments	14	-	-
		<u>3,981,919</u>	<u>4,085,440</u>
CURRENT ASSETS			
Inventories	15	3,893,112	2,558,934
Trade and other receivables	16	4,619,119	3,576,796
Cash and cash equivalents	17	12,776,168	10,180,254
		<u>21,288,399</u>	<u>16,315,984</u>
TOTAL ASSETS		<u><u>25,270,318</u></u>	<u><u>20,401,424</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	100,000	100,000
Other reserves	19	(77,512)	(32,669)
Retained earnings	19	21,444,157	18,299,174
TOTAL EQUITY		<u>21,466,645</u>	<u>18,366,505</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	22	114,409	121,285
CURRENT LIABILITIES			
Trade and other payables	20	3,222,080	1,459,265
Tax payable		467,184	454,369
		<u>3,689,264</u>	<u>1,913,634</u>
TOTAL LIABILITIES		<u>3,803,673</u>	<u>2,034,919</u>
TOTAL EQUITY AND LIABILITIES		<u><u>25,270,318</u></u>	<u><u>20,401,424</u></u>

The financial statements were approved by the Board of Directors on th 27 March 2018 and were signed on its behalf by:



I A Watling - Director

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

	Notes	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	39,822	56,290
Property, plant and equipment	13	3,922,813	3,996,991
Investments	14	300,000	300,000
		<u>4,262,635</u>	<u>4,353,281</u>
CURRENT ASSETS			
Inventories	15	3,893,112	2,558,934
Trade and other receivables	16	4,462,042	3,435,162
Cash and cash equivalents	17	12,490,318	9,936,151
		<u>20,845,472</u>	<u>15,930,247</u>
TOTAL ASSETS		<u><u>25,108,107</u></u>	<u><u>20,283,528</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	100,000	100,000
Retained earnings	19	21,329,667	18,262,531
TOTAL EQUITY		<u><u>21,429,667</u></u>	<u><u>18,362,531</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	22	114,409	121,285
CURRENT LIABILITIES			
Trade and other payables	20	3,096,847	1,345,343
Tax payable		467,184	454,369
		<u>3,564,031</u>	<u>1,799,712</u>
TOTAL LIABILITIES		<u><u>3,678,440</u></u>	<u><u>1,920,997</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>25,108,107</u></u>	<u><u>20,283,528</u></u>

The financial statements were approved by the Board of Directors on 27th March 2018 and were signed on its behalf by:



I A Watling - Director

The notes form part of these financial statements

BASILDON CHEMICAL CO. LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 January 2016	100,000	15,985,100	(171,638)	15,913,462
Changes in equity				
Total comprehensive income	-	2,314,074	138,969	2,453,043
Balance at 31 December 2016	100,000	18,299,174	(32,669)	18,366,505
Changes in equity				
Total comprehensive income	-	3,144,983	(44,843)	3,100,140
Balance at 31 December 2017	100,000	21,444,157	(77,512)	21,466,645

The notes form part of these financial statements

BASILDON CHEMICAL CO. LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	100,000	15,835,851	15,935,851
Changes in equity			
Total comprehensive income	-	2,426,680	2,426,680
Balance at 31 December 2016	<u>100,000</u>	<u>18,262,531</u>	<u>18,362,531</u>
Changes in equity			
Total comprehensive income	-	3,067,136	3,067,136
Balance at 31 December 2017	<u>100,000</u>	<u>21,329,667</u>	<u>21,429,667</u>

The notes form part of these financial statements

BASILDON CHEMICAL CO. LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	3,676,255	3,179,050
Interest paid		(1,571)	-
Tax paid		(745,183)	(269,154)
Net cash from operating activities		<u>2,929,501</u>	<u>2,909,896</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		-	(36,715)
Purchase of tangible fixed assets		(386,072)	(417,097)
Sale of tangible fixed assets		140	34,114
Interest received		52,345	52,664
Net cash from investing activities		<u>(333,587)</u>	<u>(367,034)</u>
Increase in cash and cash equivalents		<u>2,595,914</u>	<u>2,542,862</u>
Cash and cash equivalents at beginning of year	2	10,180,254	7,508,383
Effect of foreign exchange rate changes		-	129,009
Cash and cash equivalents at end of year	2	<u><u>12,776,168</u></u>	<u><u>10,180,254</u></u>

The notes form part of these financial statements

BASILDON CHEMICAL CO. LIMITED**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017****1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2017 £	2016 £
Profit before income tax	3,896,105	2,901,723
Depreciation charges	490,708	537,544
Profit on disposal of fixed assets	(140)	(3,592)
Finance costs	1,571	-
Finance income	(52,345)	(52,664)
	<u>4,335,899</u>	<u>3,383,011</u>
(Increase)/decrease in inventories	(1,334,178)	80,306
Increase in trade and other receivables	(1,041,849)	(674,340)
Increase in trade and other payables	1,716,383	390,073
	<u>3,676,255</u>	<u>3,179,050</u>
Cash generated from operations	<u>3,676,255</u>	<u>3,179,050</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 2017

	31.12.17 £	1.1.17 £
Cash and cash equivalents	<u>12,776,168</u>	<u>10,180,254</u>

Year ended 31 December 2016

	31.12.16 £	1.1.16 £
Cash and cash equivalents	<u>10,180,254</u>	<u>7,508,383</u>

The notes form part of these financial statements

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 2017. 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.

2. ACCOUNTING POLICIES - continued

Property, plant and equipment

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 years and Straight line over 8 years
Motor vehicles	- 25% on cost

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.

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

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.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

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.

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 detailed plan to 31 December 2018.

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 2017. 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 assets

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.

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits, and other short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of change in value. Such investments are normally those with original maturity dates of three months or less.

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.

Leasing

Operating lease payments are 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.

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.

BASILDON CHEMICAL CO. LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES - continued

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.

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.

3. 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 function

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by reportable segment in 2017:

	Basildon Chemical Co. Limited 2017 £	KCC Europe GmbH 2017 £	Total 2017 £
Revenue			
Sale of goods	20,960,462	-	20,960,462
Other operating income	178,837	568,307	747,144
Total Revenue	21,139,299	568,307	21,707,606
Result			
Gross Profit	7,215,513	290,320	7,505,833
Central Administration costs	(3,518,916)	(141,586)	(3,660,502)
Operating profit			3,845,331
Finance costs			(1,571)
Investment revenue			52,345
Profit before tax			3,896,105
Tax			(751,122)
Profit after tax			3,144,983

BASILDON CHEMICAL CO. LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 2016 £	KCC Europe GmbH 2016 £	Basildon Chemical Co. Limited 2015 £	KCC Europe GmbH 2015 £
United Kingdom	3,271,104	-	4,798,239	-
Europe	7,493,352	-	5,992,074	-
Rest of World	5,768,942	-	5,200,608	-

4. OTHER OPERATING INCOME

	2017 £	2016 £
Royalties	51,473	40,759
Exchange gains	(44,267)	404,387
	<u>7,206</u>	<u>445,146</u>

5. OTHER OPERATING EXPENSES

	2017 £	2016 £
Healthcare	13,291	18,389
Life assurance	30,287	28,812
Security costs	23,381	32,626
Integration costs	18,901	18,829
Computer software & maintenance	40,604	34,575
Laboratory expenses	126,886	91,932
Subscriptions	13,062	14,268
	<u>266,412</u>	<u>239,431</u>

6. EMPLOYEES AND DIRECTORS

	2017 £	2016 £
Wages and salaries	2,828,019	2,663,579
Social security costs	230,546	266,180
Other pension costs	134,393	119,845
	<u>3,192,958</u>	<u>3,049,604</u>

BASILDON CHEMICAL CO. LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

6. EMPLOYEES AND DIRECTORS - continued

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

	2017	2016
Distribution	31	23
Manufacturing	24	29
Support	4	5
	<u>59</u>	<u>57</u>

	2017 £	2016 £
Directors' remuneration	245,208	259,382
Directors' pension contributions to money purchase schemes	<u>11,063</u>	<u>10,744</u>

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

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2017 £	2016 £
Emoluments etc	132,681	131,266
Pension contributions to money purchase schemes	<u>11,063</u>	<u>10,744</u>

7. NET FINANCE INCOME

	2017 £	2016 £
Finance income:		
Deposit account interest	<u>52,345</u>	<u>52,664</u>
Finance costs:		
Bank interest	<u>1,571</u>	<u>-</u>
Net finance income	<u>50,774</u>	<u>52,664</u>

8. PROFIT BEFORE INCOME TAX

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

	2017 £	2016 £
Cost of inventories recognised as expense	14,022,936	11,457,218
Hire of plant and machinery	70,497	80,959
Other operating leases	5,972	7,181
Depreciation - owned assets	474,239	527,877
Profit on disposal of fixed assets	(140)	(3,592)
Development costs amortisation	16,468	9,584
Foreign exchange differences	<u>45,810</u>	<u>(404,387)</u>

BASILDON CHEMICAL CO. LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. AUDITORS' REMUNERATION

	2017 £	2016 £
Fees payable to the company's auditors for the audit of the company's financial statements	<u>11,075</u>	<u>8,580</u>

10. INCOME TAX

Analysis of tax expense

	2017 £	2016 £
Current tax: Tax	757,998	602,300
Deferred tax	<u>(6,876)</u>	<u>(14,651)</u>
Total tax expense in consolidated statement of profit or loss and other comprehensive income	<u>751,122</u>	<u>587,649</u>

Factors affecting the tax expense

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

	2017 £	2016 £
Profit before income tax	<u>3,896,105</u>	<u>2,901,723</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2016 - 20%)	740,260	580,345
Effects of:		
Expenses not deductible in determining taxable profit	1,807	2,569
Capital allowances for period in excess of depreciation	19,118	26,515
Changes in tax rates	9,669	-
Adjustments to tax charge on consolidation	(12,856)	(7,129)
Deferred tax movement	<u>(6,876)</u>	<u>(14,651)</u>
Tax expense	<u>751,122</u>	<u>587,649</u>

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 £3,067,136 (2016 - £2,426,680).

BASILDON CHEMICAL CO. LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017****12. INTANGIBLE ASSETS****Group**

	Development costs £
COST	
At 1 January 2017 and 31 December 2017	65,874
AMORTISATION	
At 1 January 2017	9,584
Amortisation for year	16,468
At 31 December 2017	26,052
NET BOOK VALUE	
At 31 December 2017	39,822
At 31 December 2016	56,290

Company

	Development costs £
COST	
At 1 January 2017 and 31 December 2017	65,874
AMORTISATION	
At 1 January 2017	9,584
Amortisation for year	16,468
At 31 December 2017	26,052
NET BOOK VALUE	
At 31 December 2017	39,822
At 31 December 2016	56,290

BASILDON CHEMICAL CO. LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 January 2017	3,601,232	7,059,443	224,494	10,885,169
Additions	66,635	296,703	22,734	386,072
Exchange differences	-	1,605	2,160	3,765
At 31 December 2017	3,667,867	7,357,751	249,388	11,275,006
DEPRECIATION				
At 1 January 2017	919,427	5,795,436	141,156	6,856,019
Charge for year	59,327	374,383	40,529	474,239
Exchange differences	-	1,406	1,245	2,651
At 31 December 2017	978,754	6,171,225	182,930	7,332,909
NET BOOK VALUE				
At 31 December 2017	2,689,113	1,186,526	66,458	3,942,097
At 31 December 2016	2,681,805	1,264,007	83,338	4,029,150

Company

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 January 2017	3,601,232	7,020,680	172,330	10,794,242
Additions	66,635	296,703	22,734	386,072
At 31 December 2017	3,667,867	7,317,383	195,064	11,180,314
DEPRECIATION				
At 1 January 2017	919,427	5,763,372	114,452	6,797,251
Charge for year	59,327	369,310	31,613	460,250
At 31 December 2017	978,754	6,132,682	146,065	7,257,501
NET BOOK VALUE				
At 31 December 2017	2,689,113	1,184,701	48,999	3,922,813
At 31 December 2016	2,681,805	1,257,308	57,878	3,996,991

BASILDON CHEMICAL CO. LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. INVESTMENTS

Company

Shares in
group
undertakings
£

COST

At 1 January 2017
and 31 December 2017

300,000

NET BOOK VALUE

At 31 December 2017

300,000

At 31 December 2016

300,000

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

Subsidiary

KCC Europe GmbH

Registered office:

Nature of business: Selling operation

Class of shares:

Ordinary

%
holding
100.00

15. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Raw materials	2,145,178	1,218,767	2,145,178	1,218,767
Finished goods	1,747,934	1,340,167	1,747,934	1,340,167
	<u>3,893,112</u>	<u>2,558,934</u>	<u>3,893,112</u>	<u>2,558,934</u>

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Current:				
Trade debtors	3,931,326	3,056,493	3,873,852	3,005,993
Amounts owed by group undertakings	11,669	21,909	11,669	21,909
Amounts owed by associates	51,473	40,759	51,473	40,759
Other debtors	60,321	80,947	-	-
VAT	435,355	302,457	431,448	297,195
Prepayments	128,975	74,231	93,600	69,306
	<u>4,619,119</u>	<u>3,576,796</u>	<u>4,462,042</u>	<u>3,435,162</u>

BASILDON CHEMICAL CO. LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017****16. TRADE AND OTHER RECEIVABLES - continued**

The average credit period on sales of goods is 66 days (2016 : 65 days). The Group reviews receivables on an individual customer basis and makes provisions accordingly.

The Group has recognised an allowance for doubtful debts of £Nil (2016 £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.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash in hand	470	317	470	317
Bank deposit account	12,775,698	10,179,937	12,489,848	9,935,834
	<u>12,776,168</u>	<u>10,180,254</u>	<u>12,490,318</u>	<u>9,936,151</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.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2017	2016
Number:	Class:		£	£
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

BASILDON CHEMICAL CO. LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. RESERVES

Group

	Retained earnings £	Other reserves £	Totals £
At 1 January 2017	18,299,174	(32,669)	18,266,505
Profit for the year	3,144,983		3,144,983
Foreign currency translation reserve	-	(44,843)	(44,843)
At 31 December 2017	<u>21,444,157</u>	<u>(77,512)</u>	<u>21,366,645</u>

Company

	Retained earnings £
At 1 January 2017	18,262,531
Profit for the year	3,067,136
At 31 December 2017	<u>21,329,667</u>

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Current:				
Trade creditors	791,824	775,061	669,052	663,433
Amounts owed to group undertakings	1,757,132	166,120	1,757,132	166,120
Amounts owed to associates	6,899	11,562	6,899	11,562
Social security and other taxes	69,200	56,180	66,739	53,886
Accrued expenses	597,025	450,342	597,025	450,342
	<u>3,222,080</u>	<u>1,459,265</u>	<u>3,096,847</u>	<u>1,345,343</u>

The average credit period taken to pay for trade purchases is 26 days (2016 33 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.

21. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

BASILDON CHEMICAL CO. LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017****Group**

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	78,486	77,087
Between one and five years	257,962	130,937
	<u>336,448</u>	<u>208,024</u>

Company

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	78,486	77,087
Between one and five years	257,962	130,937
	<u>336,448</u>	<u>208,024</u>

22. 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

	2017	2016
	£	£
Balance at 1 January	121,285	135,936
Charge to Income	(6,876)	(14,651)
Balance at 31 December	<u>114,409</u>	<u>121,285</u>

Company

	2017	2016
	£	£
Balance at 1 January	121,285	135,936
Charge to Income	(6,876)	(14,651)
Balance at 31 December	<u>114,409</u>	<u>121,285</u>

23. 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 £123,330 (2016 £109,101). As at 31 December 2017, contributions of £Nil (2016 £nil) in respect of the 2017 (2016) reporting period had not been paid over to the plans.

24. ULTIMATE PARENT COMPANY

At 31 December 2017, the ultimate parent undertaking and controlling party of the Group is KCC Corporation, a company registered in the Republic of South Korea.

BASILDON CHEMICAL CO. LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017****25. 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:

	2017 £	2016 £
KCC Corporation		
Revenue: re-imbursement of expenses	150,509	170,943
Purchase of raw materials	4,891,491	1,287,464
Purchase of IT Services	17,653	16,772
Purchase of other services	481	1,165
KCC Chemical (Guangzhou) Co. Limited		
Royalty income	51,473	40,759

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

	2017 £	2016 £
Amounts owed by related parties		
KCC Corporation	11,669	21,909
KCC Chemical (Guangzhou) Co. Limited	51,473	40,759
Amounts owed to related parties		
KCC Corporation	1,242,038	177,682

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.