

**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018  
FOR  
BASILDON CHEMICAL CO. LIMITED**



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FOR THE YEAR ENDED 31 DECEMBER 2018**

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**BASILDON CHEMICAL CO. LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**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 2018**

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The directors present their strategic report of the company and the group for the year ended 31 December 2018.

#### **REVIEW OF BUSINESS**

The company continued to develop business in our key markets and applications. Growth in these areas was strong in 2018 and Basildon Chemical Co. Limited increased sales with strategically important customers.

The global silicone market experienced significant price increases and tightness in the supply chain throughout much of 2018. The group minimised the overall impact of these changes in the market by maintaining higher inventories, increasing our back integration into our parent companies silicones business and through our continued focus on operational excellence in 2018 which achieved some significant cost savings through process improvements. These measures resulted in an increase in both turnover and profit although the increase in raw material costs did impact the gross margin which was 33% in 2018.

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 number of infrastructure projects in 2018 and started several capacity expansions in late 2018 that will be completed in 2019.

#### **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 2018 with comparatives for 2017 are summarised as follows:

	2018	2017
Gross Profit %	33%	35%
Turnover	£24,775,778	£21,528,769
Profit before tax	£4,543,090	£3,896,105

The long term strategy of Basildon Chemical Co. Limited remains on track. The main focus in 2018 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 group.

#### **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.

## BASILDON CHEMICAL CO. LIMITED

### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### STRATEGY FOR GROWTH

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

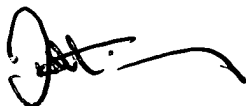
KCC Corporation has also strengthened Basildon Chemical Co. Limited, in terms of geographic coverage and enhanced relationships with certain key customers, particularly in the Asia Pacific Region. These factors made a positive contribution to the underlying strength of the business in the period under 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 is expected to be completed in 2019 and we expect certain strategic synergies to result from the merger that will positively impact Basildon Chemical Co Ltd.

In 2018 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 2019, 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: <sup>h</sup>

14 May 2019

## **BASILDON CHEMICAL CO. LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2018.

The profit for the year after providing for depreciation and taxation amounted to £3,740,530 (2017 - £3,144,983).

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 2018 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 2019.

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 2018**

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**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: <sup>th</sup> 14 May 2019 .....

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

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### 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 2018 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 2018 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

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### **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.

### **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](http://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**

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**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

Date: 14th May 2019

**BASILDON CHEMICAL CO. LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>CONTINUING OPERATIONS</b>			
Revenue	3	24,775,778	21,528,769
Cost of sales		(16,542,170)	(14,022,936)
<b>GROSS PROFIT</b>		8,233,608	7,505,833
Other operating income	4	85,864	7,206
Distribution costs		(664,051)	(898,843)
Administrative expenses		(2,849,639)	(2,502,453)
Other operating expenses	5	(338,678)	(266,412)
<b>OPERATING PROFIT</b>		4,467,104	3,845,331
Finance costs	7	(160)	(1,571)
Finance income	7	76,146	52,345
<b>PROFIT BEFORE INCOME TAX</b>	8	4,543,090	3,896,105
Income tax	10	(802,560)	(751,122)
<b>PROFIT FOR THE YEAR</b>		3,740,530	3,144,983
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation		20,658	(44,843)
Income tax relating to item that may be reclassified subsequently to profit or loss		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		20,658	(44,843)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		3,761,188	3,100,140
Profit attributable to:			
Owners of the parent		3,740,530	3,144,983
Total comprehensive income attributable to:			
Owners of the parent		3,761,188	3,100,140

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	12	181,818	39,822
Property, plant and equipment	13	4,320,583	3,942,097
Investments	14	-	-
		<u>4,502,401</u>	<u>3,981,919</u>
<b>CURRENT ASSETS</b>			
Inventories	15	5,255,441	3,893,112
Trade and other receivables	16	4,792,074	4,619,119
Cash and cash equivalents	17	13,869,522	12,776,168
		<u>23,917,037</u>	<u>21,288,399</u>
<b>TOTAL ASSETS</b>		<u><u>28,419,438</u></u>	<u><u>25,270,318</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	18	100,000	100,000
Other reserves	19	(56,854)	(77,512)
Retained earnings	19	25,184,687	21,444,157
<b>TOTAL EQUITY</b>		<u><u>25,227,833</u></u>	<u><u>21,466,645</u></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	22	123,755	114,409
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	2,818,586	3,222,080
Tax payable		249,264	467,184
		<u>3,067,850</u>	<u>3,689,264</u>
<b>TOTAL LIABILITIES</b>		<u><u>3,191,605</u></u>	<u><u>3,803,673</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>28,419,438</u></u>	<u><u>25,270,318</u></u>

The financial statements were approved by the Board of Directors on 14<sup>th</sup> May 2019 and were signed on its behalf by:



I A Watling - Director

The notes form part of these financial statements

**BASILDON CHEMICAL CO. LIMITED (REGISTERED NUMBER: 01016104)**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	12	181,818	39,822
Property, plant and equipment	13	4,310,949	3,922,813
Investments	14	300,000	300,000
		<u>4,792,767</u>	<u>4,262,635</u>
<b>CURRENT ASSETS</b>			
Inventories	15	5,255,441	3,893,112
Trade and other receivables	16	4,692,726	4,462,042
Cash and cash equivalents	17	13,531,392	12,490,318
		<u>23,479,559</u>	<u>20,845,472</u>
<b>TOTAL ASSETS</b>		<u><u>28,272,326</u></u>	<u><u>25,108,107</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	18	100,000	100,000
Retained earnings	19	25,029,278	21,329,667
<b>TOTAL EQUITY</b>		<u><u>25,129,278</u></u>	<u><u>21,429,667</u></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	22	123,755	114,409
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	2,770,029	3,096,847
Tax payable		249,264	467,184
		<u>3,019,293</u>	<u>3,564,031</u>
<b>TOTAL LIABILITIES</b>		<u><u>3,143,048</u></u>	<u><u>3,678,440</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>28,272,326</u></u>	<u><u>25,108,107</u></u>

The financial statements were approved by the Board of Directors on <sup>H</sup> 14 May 2019 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 2018**

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
<b>Balance at 1 January 2017</b>	100,000	18,299,174	(32,669)	18,366,505
<b>Changes in equity</b>				
Total comprehensive income	-	3,144,983	(44,843)	3,100,140
<b>Balance at 31 December 2017</b>	100,000	21,444,157	(77,512)	21,466,645
<b>Changes in equity</b>				
Total comprehensive income	-	3,740,530	20,658	3,761,188
<b>Balance at 31 December 2018</b>	100,000	25,184,687	(56,854)	25,227,833

The notes form part of these financial statements

**BASILDON CHEMICAL CO. LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 January 2017</b>	100,000	18,262,531	18,362,531
<b>Changes in equity</b>			
Total comprehensive income	-	3,067,136	3,067,136
<b>Balance at 31 December 2017</b>	<u>100,000</u>	<u>21,329,667</u>	<u>21,429,667</u>
<b>Changes in equity</b>			
Total comprehensive income	-	3,699,611	3,699,611
<b>Balance at 31 December 2018</b>	<u>100,000</u>	<u>25,029,278</u>	<u>25,129,278</u>

The notes form part of these financial statements

**BASILDON CHEMICAL CO. LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	2,996,069	3,676,255
Interest paid		(160)	(1,571)
Tax paid		(1,011,134)	(745,183)
Net cash from operating activities		<u>1,984,775</u>	<u>2,929,501</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(158,465)	-
Purchase of tangible fixed assets		(835,372)	(386,072)
Sale of tangible fixed assets		26,270	140
Interest received		76,146	52,345
Net cash from investing activities		<u>(891,421)</u>	<u>(333,587)</u>
<b>Increase in cash and cash equivalents</b>		<u>1,093,354</u>	<u>2,595,914</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>12,776,168</u>	<u>10,180,254</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>13,869,522</u></u>	<u><u>12,776,168</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 2018****1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2018 £	2017 £
Profit before income tax	4,543,090	3,896,105
Depreciation charges	460,911	490,708
Profit on disposal of fixed assets	(13,862)	(140)
Exchange loss on consolidation	20,658	-
Finance costs	160	1,571
Finance income	(76,146)	(52,345)
	<u>4,934,811</u>	<u>4,335,899</u>
Increase in inventories	(1,362,329)	(1,334,178)
Increase in trade and other receivables	(172,955)	(1,041,849)
(Decrease)/increase in trade and other payables	(403,458)	1,716,383
	<u>2,996,069</u>	<u>3,676,255</u>
<b>Cash generated from operations</b>	<u>2,996,069</u>	<u>3,676,255</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 2018**

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

**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>

The notes form part of these financial statements

## **BASILDON CHEMICAL CO. LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **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 2018. 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**

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	- 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 2019.

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 2018. 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.

**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.



**BASILDON CHEMICAL CO. LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018****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 function

**Segment Revenue and Results**

The following is an analysis of the Group's revenue and results by reportable segment in 2018:

	Basildon Chemical Co. Limited 2018 £	KCC Europe GmbH 2018 £	Total 2018 £
<b>Revenue</b>			
Sale of goods	24,488,458	-	24,488,458
Other operating income	99,728	287,320	387,048
<b>Total Revenue</b>	<b>24,588,186</b>	<b>287,320</b>	<b>24,875,506</b>
<b>Result</b>			
Gross Profit	8,247,391	(13,783)	8,233,608
Central Administration costs	(3,512,334)	(254,170)	(3,766,504)
Operating profit			4,467,104
Finance costs			(160)
Investment revenue			76,146
Profit before tax			4,543,090
Tax			(802,560)
Profit after tax			3,740,530

**BASILDON CHEMICAL CO. LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 2018 £	KCC Europe GmbH 2018 £	Basildon Chemical Co. Limited 2017 £	KCC Europe GmbH 2017 £
United Kingdom	5,741,962	-	4,912,068	-
Europe	10,567,720	-	10,009,342	-
Rest of World	8,466,096	-	6,607,359	-

**Revenue from contracts with customers**

**Contract balances**

	2018 £	2017 £
<b>4. OTHER OPERATING INCOME</b>		
	2018 £	2017 £
Royalties	34,199	51,473
Exchange gains/(losses)	51,665	(44,267)
	<u>85,864</u>	<u>7,206</u>
<b>5. OTHER OPERATING EXPENSES</b>		
	2018 £	2017 £
Healthcare	25,969	13,291
Life assurance	31,882	30,287
Security costs	27,639	23,381
Integration costs	19,000	18,901
Computer software & maintenance	57,223	40,604
Laboratory expenses	160,853	126,886
Subscriptions	16,112	13,062
	<u>338,678</u>	<u>266,412</u>

**BASILDON CHEMICAL CO. LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**6. EMPLOYEES AND DIRECTORS**

	2018	2017
	£	£
Wages and salaries	3,314,052	2,828,019
Social security costs	263,333	230,546
Other pension costs	139,760	134,393
	<u>3,717,145</u>	<u>3,192,958</u>

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

	2018	2017
Distribution	33	31
Manufacturing	29	24
Support	4	4
	<u>66</u>	<u>59</u>

	2018	2017
	£	£
Directors' remuneration	270,873	245,208
Directors' pension contributions to money purchase schemes	<u>11,441</u>	<u>11,063</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:

	2018	2017
	£	£
Emoluments etc	143,745	132,681
Pension contributions to money purchase schemes	<u>-</u>	<u>11,063</u>

**7. NET FINANCE INCOME**

	2018	2017
	£	£
Finance income:		
Deposit account interest	<u>76,146</u>	<u>52,345</u>
Finance costs:		
Bank interest	<u>160</u>	<u>1,571</u>
Net finance income	<u>75,986</u>	<u>50,774</u>

**BASILDON CHEMICAL CO. LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018****8. PROFIT BEFORE INCOME TAX**

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

	2018	2017
	£	£
Cost of inventories recognised as expense	16,542,170	14,022,936
Hire of plant and machinery	70,113	70,497
Other operating leases	6,515	5,972
Depreciation - owned assets	444,442	474,239
Profit on disposal of fixed assets	(13,862)	(140)
Development costs amortisation	16,469	16,468
Foreign exchange differences	(32,172)	45,810
	<u>16,992,775</u>	<u>14,623,882</u>

**9. AUDITORS' REMUNERATION**

	2018	2017
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	10,000	11,075
Auditors' remuneration for non audit work	970	-
	<u>10,970</u>	<u>11,075</u>

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

	2018	2017
	£	£
Current tax:		
Tax	822,833	757,998
Prior period adjustment	(29,619)	-
Total current tax	<u>793,214</u>	<u>757,998</u>
Deferred tax	<u>9,346</u>	<u>(6,876)</u>
Total tax expense in consolidated statement of profit or loss and other comprehensive income	<u>802,560</u>	<u>751,122</u>

**BASILDON CHEMICAL CO. LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018****10. INCOME TAX - continued****Factors affecting the tax expense**

The tax assessed for the year is lower (2017 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit before income tax	<u>4,543,090</u>	<u>3,896,105</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	863,187	740,260
Effects of:		
Expenses not deductible in determining taxable profit	1,734	1,807
Capital allowances for period in excess of depreciation	(1,166)	19,118
Changes in tax rates	-	9,669
Adjustments to tax charge on consolidation	(36,495)	(9,064)
Deferred tax movement	9,346	(6,876)
Withholding taxes	(5,039)	(3,792)
Adjustments to tax charge in respect of previous periods	<u>(29,007)</u>	<u>-</u>
Tax expense	<u>802,560</u>	<u>751,122</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 £3,699,611 (2017 - £3,067,136).

**12. INTANGIBLE ASSETS****Group**

	Development costs £	Computer software £	Totals £
<b>COST</b>			
At 1 January 2018	65,874	-	65,874
Additions	-	158,465	158,465
At 31 December 2018	<u>65,874</u>	<u>158,465</u>	<u>224,339</u>
<b>AMORTISATION</b>			
At 1 January 2018	26,052	-	26,052
Amortisation for year	16,469	-	16,469
At 31 December 2018	<u>42,521</u>	<u>-</u>	<u>42,521</u>
<b>NET BOOK VALUE</b>			
At 31 December 2018	<u>23,353</u>	<u>158,465</u>	<u>181,818</u>
At 31 December 2017	<u>39,822</u>	<u>-</u>	<u>39,822</u>

**BASILDON CHEMICAL CO. LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018**
**12. INTANGIBLE ASSETS - continued**

<b>Company</b>	<b>Development costs £</b>	<b>Computer software £</b>	<b>Totals £</b>
<b>COST</b>			
At 1 January 2018	65,874	-	65,874
Additions	-	158,465	158,465
At 31 December 2018	65,874	158,465	224,339
<b>AMORTISATION</b>			
At 1 January 2018	26,052	-	26,052
Amortisation for year	16,469	-	16,469
At 31 December 2018	42,521	-	42,521
<b>NET BOOK VALUE</b>			
At 31 December 2018	23,353	158,465	181,818
At 31 December 2017	39,822	-	39,822

**13. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Freehold property £</b>	<b>Fixtures and fittings £</b>	<b>Motor vehicles £</b>	<b>Totals £</b>
<b>COST</b>				
At 1 January 2018	3,667,867	7,357,751	249,388	11,275,006
Additions	199,674	552,078	83,620	835,372
Disposals	-	(11,990)	(99,161)	(111,151)
Exchange differences	-	141	189	330
At 31 December 2018	3,867,541	7,897,980	234,036	11,999,557
<b>DEPRECIATION</b>				
At 1 January 2018	978,754	6,171,225	182,930	7,332,909
Charge for year	64,384	349,343	30,715	444,442
Eliminated on disposal	-	(7,494)	(91,250)	(98,744)
Exchange differences	-	148	219	367
At 31 December 2018	1,043,138	6,513,222	122,614	7,678,974
<b>NET BOOK VALUE</b>				
At 31 December 2018	2,824,403	1,384,758	111,422	4,320,583
At 31 December 2017	2,689,113	1,186,526	66,458	3,942,097

**BASILDON CHEMICAL CO. LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**13. PROPERTY, PLANT AND EQUIPMENT - continued**

**Company**

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>				
At 1 January 2018	3,667,867	7,317,383	195,064	11,180,314
Additions	199,674	552,078	83,620	835,372
Disposals	-	(11,990)	(99,161)	(111,151)
At 31 December 2018	<u>3,867,541</u>	<u>7,857,471</u>	<u>179,523</u>	<u>11,904,535</u>
<b>DEPRECIATION</b>				
At 1 January 2018	978,754	6,132,682	146,065	7,257,501
Charge for year	64,384	348,096	22,349	434,829
Eliminated on disposal	-	(7,494)	(91,250)	(98,744)
At 31 December 2018	<u>1,043,138</u>	<u>6,473,284</u>	<u>77,164</u>	<u>7,593,586</u>
<b>NET BOOK VALUE</b>				
At 31 December 2018	<u>2,824,403</u>	<u>1,384,187</u>	<u>102,359</u>	<u>4,310,949</u>
At 31 December 2017	<u>2,689,113</u>	<u>1,184,701</u>	<u>48,999</u>	<u>3,922,813</u>

**14. INVESTMENTS**

**Company**

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2018 and 31 December 2018	<u>300,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2018	<u>300,000</u>
At 31 December 2017	<u>300,000</u>

**BASILDON CHEMICAL CO. LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**14. 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:

**Subsidiary**

**KCC Europe GmbH**

Registered office: Hansaring 61, 50670 Köln, Germany

Nature of business: Selling operation

	%		
Class of shares:	holding		
Ordinary	100.00		
		2018	2017
		£	£
Aggregate capital and reserves		398,303	336,978
Profit for the year		61,325	18,872
		<u>          </u>	<u>          </u>

**15. INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
	£	£	£	£
Raw materials	3,111,031	2,145,178	3,111,031	2,145,178
Finished goods	2,144,410	1,747,934	2,144,410	1,747,934
	<u>5,255,441</u>	<u>3,893,112</u>	<u>5,255,441</u>	<u>3,893,112</u>

**16. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
	£	£	£	£
Current:				
Trade debtors	4,032,422	3,931,326	4,008,270	3,873,852
Amounts owed by group undertakings	-	11,669	-	11,669
Amounts owed by associates	20,881	51,473	20,881	51,473
Other debtors	35,180	60,321	-	-
VAT	582,635	435,355	579,680	431,448
Prepayments	120,956	128,975	83,895	93,600
	<u>4,792,074</u>	<u>4,619,119</u>	<u>4,692,726</u>	<u>4,462,042</u>



**BASILDON CHEMICAL CO. LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2018****16. TRADE AND OTHER RECEIVABLES - continued**

The average credit period on sales of goods is 59 days (2017 : 66 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 (2017 £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**

	<b>Group</b>		<b>Company</b>	
	2018 £	2017 £	2018 £	2017 £
Cash in hand	359	470	359	470
Bank deposit account	13,869,163	12,775,698	13,531,033	12,489,848
	<u>13,869,522</u>	<u>12,776,168</u>	<u>13,531,392</u>	<u>12,490,318</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:	2018	2017
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 2018**

**19. RESERVES**

**Group**

	Retained earnings £	Other reserves £	Totals £
At 1 January 2018	21,444,157	(77,512)	21,366,645
Profit for the year	3,740,530		3,740,530
Foreign currency translation reserve	-	20,658	20,658
At 31 December 2018	<u>25,184,687</u>	<u>(56,854)</u>	<u>25,127,833</u>

**Company**

	Retained earnings £
At 1 January 2018	21,329,667
Profit for the year	3,699,611
At 31 December 2018	<u>25,029,278</u>

**20. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	2018 £	2017 £	2018 £	2017 £
Current:				
Trade creditors	1,110,678	791,824	1,065,017	669,052
Amounts owed to group undertakings	1,055,068	1,757,132	1,055,068	1,757,132
Amounts owed to associates	12,389	6,899	12,389	6,899
Social security and other taxes	64,200	69,200	61,304	66,739
Accrued expenses	576,251	597,025	576,251	597,025
	<u>2,818,586</u>	<u>3,222,080</u>	<u>2,770,029</u>	<u>3,096,847</u>

The average credit period taken to pay for trade purchases is 24 days (2017: 26 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 2018****Group**

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	107,204	78,486
Between one and five years	309,876	257,962
	<u>417,080</u>	<u>336,448</u>

**Company**

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	107,204	78,486
Between one and five years	309,876	257,962
	<u>417,080</u>	<u>336,448</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**

	2018	2017
	£	£
Balance at 1 January	114,409	121,285
Charge to Income	9,346	(6,876)
Balance at 31 December	<u>123,755</u>	<u>114,409</u>

**Company**

	2018	2017
	£	£
Balance at 1 January	114,409	121,285
Charge to Income	9,346	(6,876)
Balance at 31 December	<u>123,755</u>	<u>114,409</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 £128,319 (2017 £123,330). As at 31 December 2018, contributions of £Nil (2017 £nil) in respect of the 2018 (2017) reporting period had not been paid over to the plans.

**24. ULTIMATE PARENT COMPANY**

At 31 December 2018, 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 2018****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:

	2018 £	2017 £
<b>KCC Corporation</b>		
Revenue: re-imbursement of expenses	97,251	150,509
Purchases & expenses	5,657,657	4,909,624
<b>KCC Chemical (Guangzhou) Co. Limited</b>		
Royalty income	20,881	51,473
<b>KCC Boya Sanayi Ve Tic. Ltd</b>		
Purchases & expenses	86,059	6,899

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

	2018 £	2017 £
<b>Amounts owed by related parties</b>		
KCC Corporation	-	11,669
KCC Chemical (Guangzhou) Co. Limited	20,881	51,473
<b>Amounts owed to related parties</b>		
KCC Corporation	1,017,578	1,242,038
KCC Boya Sanayi Ve Tic. Ltd	12,389	6,899

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.