

CHEMSON LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2017

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ANNUAL REPORT AND FINANCIAL STATEMENTS

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Robin Byron (Member of the Board)
Suleyman Savaş Erdem (Member of the Board)
Toker Özcan (Member of the Board)
Gözde Diner (Member of the Board)

SECRETARY

Ward Hadaway Company Secretarial Services Limited

REGISTERED OFFICE

Northumberland Dock Road
Hayhole Works
Wallsend
Tyne and Wear
NE28 0PB

BANKERS

Royal Bank of Scotland Plc
Edinburgh

UniCredit Bank Austria AG
Klagenfurt

SOLICITORS

Ward Hadaway
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

AUDITOR

KPMG LLP
Audit
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

STRATEGIC REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

FINANCIAL YEAR

Principal Activities

The principal activities of the company are the manufacture and sale of calcium based stabilisers (Polymer Additives) and other chemicals for the PVC industry. The company sells across the world but with a main focus on UK and Northern Ireland and also Europe.

Research and development is centralized but Chemson Limited also has a powerful technical service department and a well equipped laboratory available locally and is able to redesign and adjust new products according to local demands.

Review of Development and Future Prospects

Turnover for 2017 of £ 23,434,597 was higher than turnover 2016 of £ 21,737,682. The percentage of gross profit reduced from 36% in 2016 to 31% in 2017 with the total gross profit decreased by 6% as compared to the previous year (2017: £ 7,352,046; 2016: £ 7,846,479). The result of the year amounts to a loss of £ 833,613 for 2017 as compared to a loss of £ 71,895 for 2016 with the deviation mainly triggered by multiple significant rises in raw material prices and difficulty to immediately convert selling prices.

The outlook for 2018 is affected by the difficult raw material market, but the company expects to improve the margins in the course of the year and thus achieve a positive result in 2018 with improved midterm prospects despite uncertainties still continuing from Brexit negotiations.

Market

2017 was marked by a hike up in raw material prices which has had an adverse effect on the plastics industry including suppliers of PVC additives. In addition the difficult market conditions arising from the slow UK building and construction industry, to which a high percentage of Chemson Limited's business is linked, persisted in 2017. The Brexit vote and continued uncertainty due to ongoing Brexit negotiations still affect the UK market.

Chemson Limited has continued to work hard on increasing its market share. Clear definition and ownership of target customers is decreasing the time to market and increasing strike rate on new developments. Chemson Limited continues to further develop its range of market-leading products for all of the necessary application areas.

It has to be mentioned that the Company's result was affected by the unfavourable development of the GBP vs. the Euro. The P&L contains exchange rate losses in the amount of £ 165,000 that are not related to ongoing business. As explained below, these losses are mere book losses and have not affected the liquidity position of the company. Please refer to the explanations under "Risks & Uncertainties".

Ongoing investment in personnel structures and infra-structure will continue throughout 2018 to ensure that the business is positioned to maximise the opportunity within the market and ensure that capabilities in the plant meet growth expectations.

Risks & Uncertainties

The biggest risk to the business from a macro-economic perspective is the delicate situation in which the construction industry finds itself. A high percentage of Chemson Limited business is linked to building and construction. Like other industries, the performance of this market is linked to the general economy, which is as uncertain for Chemson Limited as for any other company. Chemson Limited mitigates the risk of the varying performance of local markets through its strategy of world-wide sales.

Like any other UK company Chemson Limited is affected by the Brexit vote, which increases uncertainties referring the UK home market and affects exchange rates.

Chemson Limited has sales in Euros but also in Sterling and US\$ which are exposed to the movement in the Euro/US\$ to Sterling exchange rate. To counter foreign exchange effects purchases are carried out in Euro and US\$ and also bank accounts are held in these currencies so that the effect of currency variances is hedged to a large extent.

STRATEGIC REPORT (continued)

Until 2015, Chemson Limited had an outstanding, subordinated EUR 12.2 million loan from its parent company, for which the subordination and term was extended on a yearly basis. In order to strengthen Chemson Limited and also to state its commitment, the parent entity increased the subordinated loan to EUR 20 million and at the same time extended it for an indefinite time. The repayment of the loan was placed at the sole discretion of Chemson Limited. Therefore, as of 2016 the subordinated loan in the amount of EUR 20 million corresponding to GBP 14.7 million (converted with the exchange rate as of January 01, 2016) is stated as capital contribution and as such as part of the company's equity.

The risk of bad debt is drastically minimized by credit insurance policies concluded for all insurable receivables, thereby reducing the own risk for payment default significantly.

The change to another technology would always pose a risk to any business, but as mentioned above, Chemson Limited is well positioned in all application areas to cope with such changes.

Environment

Chemson Limited operates under a permit issued by the Environment Agency (EA) under the Pollution Prevention and Control Act 1999 (PPC Act) and the Environmental Permitting (England and Wales) Regulations 2010 (EPR).

The site has successfully downgraded its risk through declassification of its COMAH rating site, installation under the Control of Major Accident Hazards (COMAH) Regulations 2015. The aforementioned strategy to eliminate lead based production and management of inventory has resulted in Chemson Limited being reclassified as a lower-tier COMAH site in September 2015, and reclassified as non COMAH in March 2017.

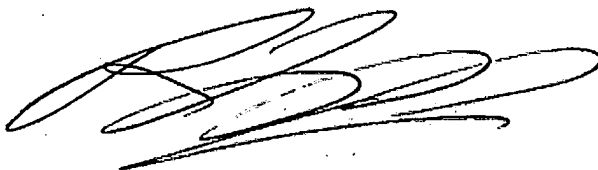
The site conformed to all of its obligations under both COMAH and EPR regulations. The site operates an Environmental Management System (EMS) which conforms to the requirements of the ISO 1400:2004 standard.

General Outlook

Through the operational investment programme Chemson Limited has the infrastructure and management systems in place to ensure that the operational capability of the business will be matched to the market conditions. Chemson Limited will continue to focus on increasing its market share by the continuous introduction of market leading products.

The unfavourable development of raw material prices has affected the 2017 result significantly. Chemson Limited expects to improve margins in the course of the year and to thus achieve a positive result in 2018.

Approved by the Board of Directors
and signed on behalf of the Board



R Byron
Director

26 September 2018

DIRECTORS' REPORT

DIRECTORS

The following persons held office as Directors during the year and since:

Robin Byron (Member of the Board) – appointed on 18 September 2017

Süleyman Savaş Erdem (Member of the Board) – appointed 4 June 2018

Toker Özcan (Member of the Board) – appointed 4 June 2018

Gözde Diner (Member of the Board)

Serpil Gungor Erdogan (Member of the Board) – appointed 19 February 2018, resigned 4 June 2018

Suleyman Erol (Member of the Board) – appointed 19 February 2018, resigned 4 June 2018

Paul Knowles (Managing Director) – resigned on 1 October 2017

Burak Orhun (Member of the Board) – resigned 19 February 2018

Mahir Doğan (Member of the Board) – resigned 19 February 2018

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political or charitable contributions during the period (2016: £ Nil).


AUDITOR

In the case of each of the persons who are Directors of the company at the date when this report is approved:

- So far as each director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and
- Each of the Directors has taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board



R Byron
Director

26 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHEMSON LIMITED

Opinion

We have audited the financial statements of Chemson Limited ("the company") for the year ended 31 December 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Nick Plumb (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Quayside House

110 Quayside

Newcastle upon Tyne

NE1 3DX

27 September 2018

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £	Year ended 31 December 2016 £
TURNOVER	3	23,434,597	21,737,682
Change in stocks of finished goods and work in progress		(242,683)	333,481
Other operating income		501,505	650,997
Raw materials and consumables		(15,839,868)	(14,224,685)
Staff costs	6	(3,225,576)	(2,958,696)
Depreciation and other amounts written off tangible and intangible fixed assets		(602,521)	(552,409)
Other operating charges		(4,754,649)	(4,826,528)
OPERATING PROFIT	4	(729,195)	159,842
Interest and similar income		21	2,066
Interest payable and similar charges		(105,114)	(223,406)
FINANCIAL RESULT	7	(105,093)	(221,340)
LOSS BEFORE TAXATION		(834,288)	(61,498)
Tax on loss	8	675	(10,397)
LOSS FOR THE FINANCIAL YEAR	18	(833,613)	(71,895)

There were no recognised gains and losses in the year other than those shown in the profit and loss account above. Accordingly no separate statement of comprehensive income is presented.

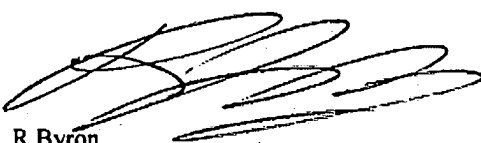
The results for the financial year and the preceding financial period derive solely from continuing activities.

BALANCE SHEET
As at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
FIXED ASSETS					
Intangible fixed assets	9		-		-
Tangible fixed assets	10		2,795,853		3,054,330
			<u>2,795,853</u>		<u>3,054,330</u>
CURRENT ASSETS					
Stocks	11	3,742,589		3,379,595	
Debtors	12	2,810,281		1,116,272	
Cash at bank and in hand		585,202		61,637	
		<u>7,138,072</u>		<u>4,557,504</u>	
CREDITORS: amounts falling due within one year	13	<u>(5,920,630)</u>		<u>(2,785,176)</u>	
NET CURRENT ASSETS / LIABILITIES			<u>1,217,442</u>		<u>1,772,328</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,013,295		4,826,658
CREDITORS: amounts falling due after more than one year	14		<u>(1,219,427)</u>		<u>(1,199,177)</u>
NET ASSETS / LIABILITIES			<u>2,793,868</u>		<u>3,627,481</u>
CAPITAL AND RESERVES					
Called up share capital	16		3,500,002		3,500,002
Capital contribution	17		14,679,000		14,679,000
Profit and loss account	18		<u>(15,385,134)</u>		<u>(14,551,521)</u>
TOTAL SHAREHOLDERS' EQUITY / DEFICIT			<u>2,793,868</u>		<u>3,627,481</u>

These financial statements of Chemson Limited (Company Number: 01980314) were approved by the Board of Directors on 20 September 2018.

Signed on behalf of the Board of Directors



R Byron

Director

26 September 2018

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Capital Contribution £	Profit and loss account £	Total £
Balance at 1 January 2016	3,500,002	-	(14,479,626)	(10,979,624)
Loss for the period	-	-	(71,895)	(71,895)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(71,895)	(71,895)
Capital Contributions	-	14,679,000	-	14,679,000
Dividends	-	-	-	-
Total transactions with owners of the business	-	14,679,000	-	14,679,000
Balance at 31 December 2016	3,500,002	14,679,000	(14,551,521)	3,627,481
Loss for the period	-	-	(833,613)	(833,613)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(833,613)	(833,613)
Dividends	-	-	-	-
Total transactions with owners of the business	-	-	-	-
Balance at 31 December 2017	3,500,002	14,679,000	(15,385,134)	2,793,868

In 2016 the parent company decided to increase the subordinated, non-interest bearing loan granted to Chemson Limited from EUR 12.2 million to EUR 20 million. While in previous years the subordination was only granted on a yearly basis, in 2016 the parent company decided to strengthen Chemson Limited by granting the loan under unlimited terms and putting the repayment at the sole discretion of Chemson Limited. Therefore, Chemson Limited states the subordinated loan of EUR 20 million under equity (converted with the exchange rate as of 01 January 2016).

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2017****I. ACCOUNTING POLICIES****General information**

Chemson Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

Adoption of new and revised Standards

The accounting policies adopted for the preparation of the financial statements as at 31 December 2017 are consistent with those of the previous financial year.

The directors are currently evaluating the impact of the adoption of standards issued by IASB but not yet effective, early adopted and endorsed by the European Financial Reporting Advisory Group ("EFRAG"), but anticipate that their adoption will not have a material effect on the financial statements of the company in future periods.

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Akdeniz Kimya Sanayi ve Ticaret A.Ş., a company incorporated in Turkey and the parent company of the consolidated subgroup. The group accounts of Akdeniz Kimya Sanayi ve Ticaret A.Ş. are available to the public and can be obtained from Oyak Global Investments: 19, Rue de Bitbourg, 1273 Luxembourg.

The financial statements have been prepared under the historical cost convention.

The accounts have been prepared on a going concern basis on the basis that, whilst within the next 12 months the forecasts indicate that the Company will be able to operate within its existing facilities, the parent company will support in that form that it will provide services whose payment is subordinated to external debt.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2017*****Sale of goods***

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Fixed assets and depreciation

Fixed assets are stated at cost, net of depreciation or amortisation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less the estimated residual value of each asset by equal instalments over its expected useful lives as follows:

Freehold buildings	-	25 to 30 years
Plant and machinery	-	5 to 25 years
Fixtures and fittings, tools and equipment	-	3 to 15 years

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes all direct costs incurred. For work in progress and finished goods manufactured by the company, cost is stated at production cost, which includes an appropriate proportion of attributable overheads. Provision is made for obsolete, slow moving or defective items where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are 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 translated 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.

Leases

The company has no finance lease obligations.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2017**

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.

Post-retirement benefits

The company contributes a set proportion of employees' salaries to defined contribution schemes. The costs are charged to the profit and loss account as they become payable. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

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, and 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate 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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IFRS 15: Revenue and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods. The directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate. Changes in revenue recognition as implemented by the new standard only affected cut-off procedures, which had practically no impact on the cut-off at the year end.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- The assessment of the recoverability of fixed assets is based on a forecast calculation of the cash flows for the next four years, using the industry and Company risk adjusted discount rate.

3. TURNOVER AND REVENUE

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Continuing operations		
Sale of goods	<u>23,434,597</u>	<u>21,737,682</u>
Analysis by destination		
	Year ended 31 December 2017 £	Year ended 31 December 2016 £
UK	4,168,898	4,280,410
Remaining Europe	14,528,762	13,962,417
Rest of the World	4,736,938	3,494,855
	<u>23,434,597</u>	<u>21,737,682</u>

All turnover originates within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

4. LOSS/PROFIT FOR THE FINANCIAL YEAR

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Operating loss/profit is stated after charging/(crediting):		
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	25,456	25,000
Operating leases - plant and machinery	247,821	274,378
Depreciation of tangible fixed assets	602,521	552,409
Net exchange loss	155,678	86,951

5. DIRECTORS' REMUNERATION

The total amounts for Directors' remuneration in respect of services to the company were as follows:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Directors' emoluments	159,688	191,910
Contributions to company pension schemes	10,086	18,560
	169,774	210,470

Contributions to company pension schemes were made on behalf of one Director (2016: one Director).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

6. EMPLOYEES

The average number of persons employed by the company (including Directors) during the period, analysed by category, was as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Office administration	26	27
Production	55	47
	<u>81</u>	<u>74</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	2,714,686	2,490,553
Social security costs	261,024	236,202
Other pension costs	249,866	231,941
	<u>3,225,576</u>	<u>2,958,696</u>

7. FINANCIAL RESULT

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Interest income on third party receivables	21	2,066
Exchange gains from valuation of loans	-	-
	<u>21</u>	<u>2,066</u>

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Interest payable to other group companies	63,130	58,298
Bank interest	66	97
Exchange losses from valuation of loans	41,918	165,011
	<u>105,114</u>	<u>223,406</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

8. TAX ON LOSS/PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<i>Taxation is based on loss/profit for the period and comprises:</i>		
Current tax		
UK corporation tax on loss/profit for the period at 19.25% (2016: 20%)	-	-
Adjustment in respect of previous periods	675	(10,397)
Total current tax charge	<u>675</u>	<u>(10,397)</u>
Deferred tax		
Deferred tax charge for the year	-	-
Tax charge on loss/profit on ordinary activities	<u>675</u>	<u>(10,397)</u>
	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Tax charge reconciliation		
Loss/Profit on ordinary activities before taxation	(834,288)	(61,498)
Tax charge/credit at UK corporation tax rate of 19.25% (2016: 20%)	(158,515)	(12,300)
Effects of:		
Expenditure not deductible for tax purposes	7,199	6,583
Losses not recognized	151,316	5,717
Tax in respect of previous periods	675	(10,397)
Total tax (credit)/charge	<u>(675)</u>	<u>10,397</u>

Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of both other timing differences net of accelerated capital allowances and capital gains heldover, and trading losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £ 3,415,428 (31 December 2016: £ 3,284,474).

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset has been calculated based on these rates.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

9. INTANGIBLE FIXED ASSETS

	Licences & similar assets £
Cost	
At 1 January 2017 and 31 December 2016	567,567
Amortisation	
At 1 January 2017	567,567
Charge for year	-
At 31 December 2017	567,567
Net book value	
At 31 December 2017	-
At 31 December 2016	-

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Assets under course of construction £	Total £
Cost					
At 1 January 2017	4,112,696	14,649,138	1,154,508	34,165	19,950,507
Disposals	-	-	(11,765)	-	(11,765)
Additions/ Reclassification	90,754	128,377	146,956	(22,043)	344,044
At 31 December 2017	4,203,450	14,777,515	1,289,699	12,122	20,282,786
Depreciation					
At 1 January 2017	2,900,606	13,140,193	855,378	-	16,896,177
Charge for period	101,089	406,277	95,155	-	602,521
Disposals	-	-	(11,765)	-	(11,765)
At 31 December 2017	3,001,695	13,546,470	938,768	-	17,486,933
Net book value					
At 31 December 2017	1,201,755	1,231,045	350,931	12,122	2,795,853
At 31 December 2016	1,212,090	1,508,945	299,130	34,165	3,054,330

Freehold land and buildings includes land with a cost of £ 451,000 which is not being depreciated.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

11. STOCKS

	2017 £	2016 £
Raw materials and consumables	2,887,861	2,282,185
Work in progress	194,193	231,916
Finished goods and goods for resale	660,535	865,494
	<u>3,742,589</u>	<u>3,379,595</u>

12. DEBTORS

	2017 £	2016 £
Trade debtors	2,400,343	814,158
Other debtors	343,928	234,976
Prepayments and accrued income	66,010	67,138
	<u>2,810,281</u>	<u>1,116,272</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	1,811,396	1,269,281
Amounts owed to group undertakings	3,403,681	1,125,882
Other creditors including taxation and social security	239,935	65,856
Accruals and deferred income	465,618	324,157
	<u>5,920,630</u>	<u>2,785,176</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £	2016 £
Loan from group undertaking	1,197,761	1,155,843
Accruals and deferred income	21,666	43,334
	<u>1,219,427</u>	<u>1,199,177</u>
Borrowings are repayable as follows:		
Long term loans		
Less than one year	-	-
Between one and two years	-	-
Between two and five years	1,197,761	1,155,843
	<u>1,197,761</u>	<u>1,155,843</u>

The loan from another group undertaking is unsecured and bears 5.25 % interest, which is reset each quarter.

15. DEFERRED TAX ASSET

	2017 £	2016 £
Deferred Taxation		
At 1 January	-	-
Charge/(credit) to the profit and loss account	-	-
At 31 December	<u>-</u>	<u>-</u>
The elements of the unrecognised deferred taxation are as follows:		
Accelerated capital allowances	(231,045)	(271,224)
Other timing differences	-	4,265
Losses	3,689,368	3,594,328
Capital gains rolled over	(42,895)	(42,895)
	<u>3,415,428</u>	<u>3,284,474</u>

16. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid		
3,500,002: Ordinary shares of £ 1 each	3,500,002	3,500,002
	<u>3,500,002</u>	<u>3,500,002</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

17. CAPITAL CONTRIBUTION

	2017 £	2016 £
Subordinated shareholder loan	<u>14,679,000</u>	<u>14,679,000</u>

Until 2015 Chemson Limited had an outstanding, subordinated EUR 12.2 million loan from its parent company, for which the subordination and term was extended on a yearly basis. In order to strengthen Chemson Limited and also to state its commitment, the parent entity decided to increase the subordinated loan to EUR 20 million and at the same time to extend it for an indefinite time. The repayment of the loan was placed at the sole discretion of Chemson Limited. Therefore, as of 2016 the subordinated loan in the amount of EUR 20 million corresponding to GBP 14.7 million (converted with the exchange rate as of January 01, 2016) is stated as capital contribution and as such as part of the company's equity.

18. PROFIT AND LOSS ACCOUNT

	2017 £	2016 £
At 1 January	(14,551,521)	(14,479,626)
Retained loss/profit for the financial period	<u>(833,613)</u>	<u>(71,895)</u>
At 31 December	<u>(15,385,134)</u>	<u>(14,551,521)</u>

19. COMMITMENTS

	2017 £	2016 £
Capital commitments contracted but not provided	<u>-</u>	<u>-</u>
Annual commitments under non-cancellable operating leases:		
Operating leases which expire:		
Within one year	68,883	159,438
Within two to five years inclusive	<u>23,699</u>	<u>80,519</u>
	<u>92,582</u>	<u>239,957</u>

20. PENSION SCHEME

Pension arrangements

After a qualifying period the Company offers Employees a G.P.P.P. (Group Personal Pension Plan) which is a defined contribution scheme. This commenced 1 December 2007 following the closure to future accrual of the previous Defined Benefit scheme.

The Company offers Employees 8.5% of salary as an Employers contribution, with the Employee contributing a minimum of 4% of salary.

The scheme is currently compulsory upon employment but after 1 month is optional for Employees.

As at 31 December 2017 and 2016 all contributions due in respect of the respective reporting period have been paid over to the scheme.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

21. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Chemson Polymer-Additive AG a company incorporated in Austria and deemed to be the controlling party.

The largest group in which the results are consolidated is that headed by OYAK (Ordu Yardımlaşma Kurumu /Turkish Armed Forces Assistance (and Pension) Fund), Ankara. Akdeniz Kimya Sanayi ve Ticaret A.Ş., a company incorporated in Turkey is the parent company of the subgroup whose consolidated financial statements are available to the public and may be obtained from Oyak Global Investments: 19, Rue de Bitbourg, L-1273 Luxembourg.

22. RELATED PARTY TRANSACTIONS

Under IFRS 1 and IAS 24 "Related Party Disclosures", the group is exempt from the requirements to provide details of transactions with other wholly owned members of the group headed by Oyak Global Investments.