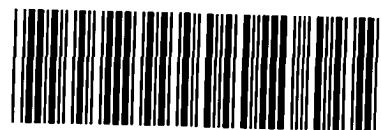


Mexichem UK Limited

Annual report and financial statements For the year ended 31 December 2017

Registered number: 07088219

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Mexichem UK Limited

Contents

	Page
Strategic report	1
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	8
Income statement	11
Statement of comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Cash flow statement	15
Notes to the financial statements	16

Mexichem UK Limited

Strategic report

Review of the business

The company manufactures and distributes fluorocarbons and speciality chemicals for industrial and pharmaceutical purposes, with primary outlets into refrigeration, air conditioning and metered dose inhaler applications.

The operation is based in the UK and from here the company services customers across Europe, India and the Middle East.

The principal products are HFC-134a, medical grade HFA-134a, medical grade HFA-227ea and various refrigerant blends.

Our medical business is the leading global manufacturer and supplier of HFA medical propellants.

Our European refrigeration business operates processes to be compliant with the European F-Gas controls applicable to Fluorinated products, including those produced by Mexichem. Within this market Mexichem is a significant quota holder. In 2017 we continued to focus our commercial management on operating within this regulatory framework and maximising profitability through product mix. Through our focus we achieved growing revenues and increased profitability.

Research into new low global warming products for application in metered dose inhalers continued in 2017. The project is under continual review but progress to date remains in line with the project plan.

Throughout the year European refrigerant prices have increased. Consequently turnover and profitability have increased. The results of the business restructuring during the last few years are at last being seen with lower overhead costs in administrative costs. Other operating expenses, which primarily consist of foreign exchange costs and royalty charges have increase this year. Royalty costs are linked to the European sales price while foreign exchange is the impact of market rates.

Turnover for the year from continuing operations was £130,813,000 (2016: £78,757,000). The profit before tax from continuing operations was £33,914,000 (2016: £10,680,000). The net cash inflow for the year was £17,765,000 (2016: £1,529,000). The profit for the year from discontinued operations was £378,000 (the loss for 2016: £1,044,000).

Key performance indicators

In conjunction with the management of costs and working capital to improve profit and cash the company uses a number of KPIs to monitor performance. These KPIs are monitored compared to budget and a quarterly forecast and any variances that arose in the year were satisfactorily explained:

- EBITDA – earnings before interest, tax, depreciation and amortisation, and exceptional items.
- Gross profit as a percentage of sales.
- EBITDA as a percentage of sales.
- Fixed costs as a percentage of gross profit. Fixed costs are direct plant fixed costs plus indirect costs from overhead functions.
- Working capital as a percentage of sales. Working capital relates solely to stock, operating debtors and operating creditors.
- Working capital ratios – these include debtor days – indicating the average length of time it takes to receive cash from a sale; stock turn – indicating the number of times that stock is turned over; and creditor days – indicating the average length of time it takes to pay cash for a purchase.

Mexichem UK Limited

Strategic report (continued)

Principal risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the company's long-term performance and could cause actual results to differ materially from those expected.

Issue	Risk	Mitigation
Competition	<ul style="list-style-type: none"> Price pressures can be experienced in more developed markets, due to the availability of product. This can result not only in downward pressure on our gross margins but also increases the risk that our products are not considered to represent value for money. 	<ul style="list-style-type: none"> Our sales teams monitor market prices on an ongoing basis and local management have responsibility for pricing in the local market.
Relationships	<ul style="list-style-type: none"> The company benefits from close commercial relationships with a number of key customers and suppliers. Damage to or loss of any of these relationships could have a direct effect on the results. 	<ul style="list-style-type: none"> We host local supplier and customer reviews to ensure that we continue to meet their respective needs.
Manufacturing	<ul style="list-style-type: none"> The manufacturing facilities could be disrupted for reasons beyond our control such as fire, work force actions or other issues. 	<ul style="list-style-type: none"> We have detailed recovery plans for the most likely situations so that business continuity procedures are in place and staff are appropriately trained to implement them should these situations occur.
Environment	<ul style="list-style-type: none"> The manufacture of our products has a direct impact on the environment, and we are under increasing regulatory pressure. There is a risk that, if we fail to comply with all appropriate regulation we will incur financial penalties as well as damage to our reputation. Regulators continue to consider and develop new regulations that may impact our products 	<ul style="list-style-type: none"> We have in place an appropriate programme to closely monitor our compliance with all environmental regulations. We closely monitor developments and, when appropriate, lobby for the desired outcome of new proposed regulations. New regulations are set with a future timetable so that we can align our R&D strategy to respond.
Foreign Exchange	<ul style="list-style-type: none"> We have significant sales and purchases outside the UK and as such are exposed to movements in exchange rates. 	<ul style="list-style-type: none"> Exchange rate exposures are managed within approved policy parameters.
State of the Economy	<ul style="list-style-type: none"> The current economic environment may lead to a fall in demand for products. Price rises for raw materials used in the manufacturing process may lead to a decline in profitability. The economic impact of the UK leaving the European Union remains unclear. 	<ul style="list-style-type: none"> Our commercial operations are spread across the European community such that we are not dependent on one country alone for our revenue. There are internal processes in place to ensure that raw materials are obtained from suppliers at competitive prices. Further the Mexichem Group is vertically integrated which gives us a competitive advantage in the supply of key raw materials. We have an internal team from across the business monitoring the negotiations and considering the impacts for our business. Model scenarios and costs are being prepared and reviewed to allow the business to react quickly and with purpose to the economic changes.

Mexichem UK Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Issue	Risk	Mitigation
Information Technology	<ul style="list-style-type: none">The company is reliant of information technology to run its operations and internal processes.	<ul style="list-style-type: none">We have a documented business continuity plan which covers how the business would restore its operating systems and what manual processes and documentation the business would use during the outage.Any changes to IT are implemented through Project Management and Change Control processes before implementation to ensure there is no material effect on the business.

Future developments

The company's EU refrigerants trade is covered by the European F-Gas regulations. The company expects to be impacted by any changes made to this regulation as a result of the UK triggering Article 50. In 2018 the company will transfer its European refrigerants trade into its new subsidiary, Mexichem Fluor EU B.V.

This report was approved by the board of directors and signed on its behalf by:



David J M Smith

Director

11th June 2018

Mexichem UK Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2017.

Future developments

Details of future developments can be found in the strategic report and form part of this report by cross reference.

Research and development

The directors regard the investment in research and development as integral to the continuing success of the business. The company's research and development activities can be split into two key areas.

- Ongoing research and development on the optimisation of plant productivity.
- New product development - the identification of new, low GWP, fluorocarbon refrigerants designed to meet the long-term needs of the pharmaceutical industry.

Going concern

Given the current economic circumstances and the guidance issued by the Financial Reporting Council, additional disclosures are presented in note 3 to the financial statements concerning the basis on which the directors have adopted the going concern basis of accounting in preparing the financial statements.

Financial risk management objectives and policies

The financial risk exposures of the business are discussed in note 29.

Dividends

The directors are unable to recommend payment of a dividend (2016: same).

Directors

The directors who served during the year and to the date of signing this report are:

Mr Andrés Múgica Jiménez de la Cuesta

Mr David J M Smith

Mr Simon Gardner

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Mexichem UK Limited

Directors' report (continued)

Auditor


Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors 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 company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 11th June 2018 and signed on its behalf by:



David J M Smith

Director

The Heath Business and Technical Park, Runcorn, Cheshire, WA7 4QX

Mexichem UK Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Mexichem UK Limited

Directors' responsibilities statement (continued)

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 11th June 2018 and is signed on its behalf by.



David J M Smith

Director

Independent auditor's report to the members of Mexichem UK Limited

Report on the audit of the financial statements

Opinion

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 profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mexichem UK Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 31.

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.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 respect of these matters.

Independent auditor's report to the members of Mexichem UK Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Independent auditor's report to the members of Mexichem UK Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Carl Acton

Carl Acton, BA (Hons) FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
11th June 2018

Mexichem UK Limited
Income statement
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	5	130,813	78,757
Cost of sales		(78,609)	(55,668)
Gross profit		52,204	23,089
Other operating income	5	1,101	988
Distribution costs		(6,567)	(5,583)
Administrative expenses		(5,882)	(8,132)
Other operating expenses		(7,255)	(9)
Operating profit		33,601	10,353
Other gains and losses	11	313	334
Finance costs	12	-	(7)
Profit before tax		33,914	10,680
Tax	13	(6,091)	(369)
Profit for the year from continuing operations attributable to owners of the company		27,823	10,311
Profit/(loss) for the year from discontinued operations after tax	14	378	(1,044)
Profit for the financial year	25	28,201	9,267

Mexichem UK Limited
Statement of comprehensive income
For the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the year	<u>28,201</u>	<u>9,267</u>
Revaluation increase arising during the year	-	1,102
Total comprehensive income for the year	<u><u>28,201</u></u>	<u><u>10,369</u></u>

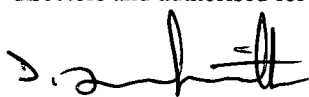
Mexichem UK Limited

Balance sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	15	1,691	2,251
Property, plant and equipment	16	10,378	9,608
Investment in subsidiaries	17	-	-
Deferred tax assets	20	974	1,512
		<u>13,043</u>	<u>13,371</u>
Current assets			
Inventories	18	17,614	14,516
Trade and other receivables	19	45,245	26,484
Cash and bank balances	26	29,314	11,549
Assets classified as held for sale	14	707	-
		<u>92,880</u>	<u>52,549</u>
Total assets		<u>105,923</u>	<u>65,920</u>
Current liabilities			
Trade and other payables	21	(29,860)	(18,969)
Corporation tax		(4,148)	286
Provisions	22	(2,282)	(4,970)
		<u>(36,290)</u>	<u>(23,653)</u>
Net current assets		<u>56,590</u>	<u>28,896</u>
Total assets less current liabilities		<u>69,633</u>	<u>42,267</u>
Non-current liabilities			
Long term provisions	22	-	(986)
Long term accruals	23	(248)	(97)
Total liabilities		<u>(36,538)</u>	<u>(25,022)</u>
Net assets		<u>69,385</u>	<u>41,184</u>
Equity			
Share capital	24	69,033	69,033
Retained earnings	25	352	(27,849)
Total equity		<u>69,385</u>	<u>41,184</u>

The financial statements of Mexichem UK Limited, registered number 07088219, were approved by the board of directors and authorised for issue on 11th June 2018. They were signed on its behalf by:



David J M Smith

Director

Mexichem UK Limited
Statement of changes in equity
For the year ended 31 December 2017

	Note	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016		69,033	(38,218)	30,815
Profit for the financial year		-	9,267	9,267
Other comprehensive income for the year	25	-	1,102	1,102
Balance at 31 December 2016		<u>69,033</u>	<u>(27,849)</u>	<u>41,184</u>
Balance at 1 January 2017		69,033	(27,849)	41,184
Profit and other comprehensive income for the financial year	25	-	28,201	28,201
Balance at 31 December 2017		<u>69,033</u>	<u>352</u>	<u>69,385</u>

Mexichem UK Limited
Cash flow statement
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash from operating activities	26	33,481	4,396
Investing activities			
Purchases of property, plant and equipment	16	(2,614)	(2,630)
Purchase of intangible assets	15	(105)	(43)
Net cash used in investing activities		(2,719)	(2,673)
Financing activities			
Loans to group companies	30	(14,135)	-
Net cash used in financing activities		(14,135)	-
Net increase in cash and cash equivalents		16,627	1,723
Cash and cash equivalents at beginning of year	26	11,549	10,020
Effect of foreign exchange rate changes		1,138	(194)
Cash and cash equivalents at end of year	26	29,314	11,549

Mexichem UK Limited

Notes to the financial statements

For the year ended 31 December 2017

1. General information

Mexichem UK Limited is a private company limited by shares incorporated in England, United Kingdom, under the Companies Act. The address of the registered office is given on page 5. The nature of the company's operations and its principal activities are set out in the strategic report.

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

2. Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	The company has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the financial statements as the sufficiency of future taxable profits are already evaluated in a way that is consistent with these amendments.
Annual Improvements to IFRSs 2014-2016 Cycle	The company has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 40 (amendments)	Transfers of Investment Property
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Standards and IFRS 28 Investments in Associates and Joint Ventures
IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments

Mexichem UK Limited

Notes to the financial statements

For the year ended 31 December 2017

2. Adoption of new and revised Standards (continued)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods, except:

IFRS 9 Financial Instruments

IFRS 9 will apply from 1 January 2018. The company has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the financial statements will depend on the financial instruments that the company has during 2018 as well as on economic conditions and judgements made as at the year end. The company has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (1 January 2018).

Classification and measurement

There will be no impact on the classification and measurement of the following financial assets held : trade receivables and loans

There will be no change in the accounting for any financial liabilities.

Impairment

The impairment model under IFRS 9 reflects *expected* credit losses, as opposed to only *incurred* credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables. The calculation concluded that there would be no change in the loss allowance for these assets as at 1 January 2018 compared to IAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2018. The company is required to adopt IFRS 15 for the year ending 31 December 2018 and will adopt the modified retrospective approach without restatement of comparatives.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Mexichem UK Limited

Notes to the financial statements

For the year ended 31 December 2017

2. Adoption of new and revised Standards (continued)

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The company recognises revenue from the following major sources:

- Sales of product and related services.
- Site services provided to other manufacturers who operate within our site.

It is expected that the changes require by IFRS 15 will not have a material impact on revenue recognition.

IFRS 16 Leases

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The company currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the company has non-cancellable operating lease commitments of £702,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 48. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence will be recognised as a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

In contrast, for finance leases the company does not have any finance lease arrangements and the directors do not anticipate that the application of IFRS 16 will have any impact on the financial statements.

Mexichem UK Limited

Notes to the financial statements

For the year ended 31 December 2017

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements because its results are included in the consolidated financial statements of Mexichem S.A.B. de C.V., a company incorporated in Mexico and preparing financial statements in accordance with International Financial Reporting Standards, and whose financial statements are publicly available.

Going concern

In carrying out their duties in respect of going concern, the directors have carried out a review of the financial position and cash flow for a period of 12 months from the date of signing these financial statements. This review encompassed revenue, expenditure and cash flows taking in to account specific business risks and uncertainties brought about by the current economic environment. The current economic conditions create uncertainty particularly over the price of products, the credit risk attached to customers, and the exchange rate between sterling and euro and sterling and US dollars and thus the consequence for the cost of some of the company's sales and raw material purchases.

The company predominantly trades within the European Union. Current economic events within the region are monitored closely by the directors. On 1 January 2018 the business intends to transfer its European sales in to a newly created European subsidiary and it will authorise the subsidiary to use its F Gas rights as required. At the point of signing the financial statements the directors are satisfied that the risks associated with trading within this region are adequately managed. The directors have received assurances from the parent company that support will be made available as required.

Therefore the directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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 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 company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Leases

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

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

3. Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements transactions in currencies other than the entity'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.

Exchange differences are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Operating profit

Operating profit is stated before charging investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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 income statement 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 by 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.

Deferred tax liabilities are recognised for taxable temporary differences except where the company 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 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.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

3. Significant accounting policies (continued)

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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.

Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at their revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. The company re-evaluates its assets when there are significant changes in the economic conditions. The carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

Property, plant and equipment in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or fair value of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Plant and equipment	1 – 15 years
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The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Software	5 years
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Licences	3 – 5 years
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Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects 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 recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Reductions in the value of inventories are recognised via reserves which represent the impairment of inventory.

Cash

Cash and cash equivalents comprise cash at bank. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet position.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

3. Significant accounting policies (continued)

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.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Available for sale ("AFS") financial assets

Listed shares and listed redeemable notes held by the company that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 29. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in retained earnings.

Dividends on AFS equity instruments are recognised in profit or loss when the company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 29.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where 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.

Restructurings

A restructuring provision is recognised when the company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 3, 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.

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 accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Provision for discontinued operations

The company is carrying a closure provision for discontinued operations. This provision includes an amount of £1,430,000 for site demolition and clearance. The directors have made assumptions regarding the interpretation of the work needed and have estimated costs based on currently available information. Due to the associated uncertainty, it is possible that estimates may need to be revised during the preparation stage if complications or efficiencies are identified.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may 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.

Taxation provisions

The current tax provision of £Nil relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with HMRC. Uncertain tax items for which a provision of £Nil is made relate principally to the treatment of demolition and site clearance costs. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible range is a reduction in liabilities.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

5. Revenue

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

	2017 £'000	2016 £'000
Sales of goods	130,813	78,757
Other operating income	1,101	988
	<u>131,914</u>	<u>79,745</u>
Discontinued operations sales (see note 14)	560	7,098
	<u>132,474</u>	<u>86,843</u>

6. Business and geographical segments

All of the company's turnover originates in the United Kingdom from a single business activity. The turnover derives from the principal activity of the company, the manufacture of industrial fluorocarbons and speciality chemicals. The company's revenue is analysed below by destination:

	2017 £'000	%	2016 £'000	%
Continuing operations				
United Kingdom and Europe	102,411	78	63,502	80
Americas	6,722	5	4,572	6
Asia	5,123	4	555	1
Other	16,557	13	10,128	13
	<u>130,813</u>	<u>100</u>	<u>78,757</u>	<u>100</u>
Discontinued operations				
United Kingdom and Europe	34	6	6,212	88
Americas	526	94	886	12
	<u>560</u>	<u>100</u>	<u>7,098</u>	<u>100</u>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

7. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2017	2016
	£'000	£'000
Continuing operations		
Net foreign exchange loss/(gains)	552	(2,990)
Research and development costs	4,015	5,046
Operating lease costs	974	2,494
Depreciation of property, plant and equipment	1,137	926
Amortisation of intangible assets	553	773
Cost of inventories recognised as expense	78,609	55,668
Staff costs (note 9)	12,169	9,343
	<hr/>	<hr/>
	2017	2016
	£'000	£'000
Discontinued operations		
Cost of inventories recognised as (income)/expense	70	3,833
	<hr/>	<hr/>

8. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2017	2016
	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	69	67
	<hr/>	<hr/>
Total audit fees	69	67
	<hr/>	<hr/>
Other taxation advisory services	31	36
	<hr/>	<hr/>
Total non-audit fees	31	36
	<hr/>	<hr/>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

9. Staff costs

The average monthly number of employees (including executive directors) was:

	2017 Number	2016 Number
Production	95	125
Administration	50	53
Research and development	22	27
	<u>167</u>	<u>205</u>

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	9,433	8,229
Social security costs	977	1,015
Other pension costs (see note 28)	1,759	1,643
	<u>12,169</u>	<u>10,887</u>

10. Directors' remuneration

	2017 £'000	2016 £'000
Directors' remuneration		
Emoluments	338	304
Company contributions to money purchase pension schemes	24	23
Amounts receivable under long term incentive scheme	13	8
	<u>375</u>	<u>335</u>

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>2</u>	<u>3</u>

The highest paid director during the year received £137,000 (2016: £132,000).

11. Other gains and losses

	2017 £'000	2016 £'000
Interest from intergroup loans	313	334
	<u>313</u>	<u>334</u>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

12. Finance costs

	2017 £'000	2016 £'000
Interest on intergroup loans	-	7

13. Tax

	Continuing Operations 2017 £'000	Discontinued operations 2017 £'000	Total 2017 £'000	Continuing operations 2016 £'000	Discontinued operations 2016 £'000	Total 2016 £'000
Corporation tax:						
Current year	5,878	-	5,878	-	291	291
Prior year	123	(347)	(224)	-	-	-
Foreign tax relief	(16)	-	(16)	-	-	-
Foreign tax suffered	17	-	17	-	-	-
	6,002	(347)	5,655	-	291	291
Deferred tax (note 20):						
Current year	82	320	402	(1,871)	92	(1,779)
Prior year	17	166	183	-	-	-
Effects of changes in tax rate	(10)	(37)	(47)	281	(14)	267
Total tax charge/(credit)	6,091	102	6,193	(1,590)	369	(1,221)

Corporation tax is calculated at 19.25% (2016: 20%) of the estimated taxable profit for the year. The applicable rate has changed following the substantive enactment of the Finance Bill 2016.

The charge/(credit) for the year can be reconciled to the loss from continuing activities per the income statement as follows:

	2017 £'000	2016 £'000
Profit from continuing activities before tax	33,914	10,680
Tax at the UK corporation tax rate of 19.25% (2016: 20%)	6,527	2,136
Prior year adjustments in current tax	140	-
Expenses that are not deductible in determining taxable profit	8	10
Unrecognised losses utilised	-	(1,715)
Assets transferred from discontinued operations	-	47
Income not taxable	(3)	-
Movement in deferred tax not provided	-	(95)
Effects of overseas tax rates	1	-
Losses transferred from discontinued operations	(572)	-
Change in deferred tax rate	(10)	(14)
Tax expense for the year	6,091	369

Deferred tax balances are calculated at 17% in line with the Finance Bill 2016.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

14. Discontinued operations

The company held some “out of spec” HFC-125 stock. Throughout 2017 this stock was purified and sold to our sister company in America.

The results of these discontinued operations, which have been included in the income statement, were as follows:

	2017 £'000	2016 £'000
Revenue	560	7,098
Expenses	(81)	(9,733)
Profit/(loss) before tax	479	(2,635)
Attributable tax (expense)/credit	(101)	1,591
Net profit/(loss) attributable to discontinued operations	378	(1,044)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2017 £'000	2016 £'000
Property, plant and equipment	707	-
Net assets of disposal group	707	-

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

15. Intangible assets

	Software £'000	Licence £'000	Total £'000
Cost			
At 1 January 2016	2,545	2,639	5,184
Additions	43	-	43
At 31 December 2016	2,588	2,639	5,227
At 1 January 2017	2,588	2,639	5,227
Additions	105	-	105
Disposals	(112)	-	(112)
At 31 December 2017	2,581	2,639	5,220
Amortisation			
At 1 January 2016	(1,939)	(264)	(2,203)
Charge for the year	(509)	(264)	(773)
At 31 December 2016	(2,448)	(528)	(2,976)
At 1 January 2017	(2,448)	(528)	(2,976)
Charge for the year	(97)	(456)	(553)
At 31 December 2017	(2,545)	(984)	(3,529)
Carrying amount			
At 31 December 2017	36	1,655	1,691
At 31 December 2016	140	2,111	2,251

Software is amortised over its useful lives, which is on average 5 years. A licence to purchase and distribute HFC227ea was purchased on 31 December 2014. The licence will be amortised over 6 years.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

16. Property, plant and equipment

	Assets under construction £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2016	732	62,754	63,486
Additions	2,630	-	2,630
Transfers	(3,044)	3,044	-
Reclassified from held for sale	425	8,384	8,809
At 31 December 2016	<u>743</u>	<u>74,182</u>	<u>74,925</u>
Additions	2,614	-	2,614
Transfers	(863)	863	-
Reclassified as held for sale	-	(707)	(707)
At 31 December 2017	<u>2,494</u>	<u>74,338</u>	<u>76,832</u>
Accumulated depreciation and impairment			
At 1 January 2016	-	(57,109)	(57,109)
Charge for the year	-	(926)	(926)
Reversal of impairment	-	1,102	1,102
On assets classified as held for sale	-	(8,384)	(8,384)
Disposals			
At 31 December 2016	<u>-</u>	<u>(65,317)</u>	<u>(65,317)</u>
Charge for the year	-	(1,137)	(1,137)
At 31 December 2017	<u>-</u>	<u>(66,454)</u>	<u>(66,454)</u>
Carrying amount			
At 31 December 2017	<u>2,494</u>	<u>7,884</u>	<u>10,378</u>
At 31 December 2016	<u>743</u>	<u>8,865</u>	<u>9,608</u>

At 31 December 2017, the company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2,593,000 (2016: £3,316,000).

In 2015 the feedstock operations were classified as a disposal group held for sale, the disposal group included the Rocksavage site assets that we considered a purchaser would require to run the business from the Runcorn site. The acquirers of Fenix and the HF customers chose not to run the business from Runcorn and did not acquire the Rocksavage site. Rocksavage continues to be used to support our continuing business. In 2016 the Rocksavage assets were no longer considered to be held for sale and the book value of the Rocksavage assets have been revalued to their fair value less cost to dispose.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

17. Investments in subsidiaries

	£'000
Cost	
At 1 January 2017	-
Additions	-
	<hr/>
At 31 December 2017	-
	<hr/>
Provisions for impairment	
At 1 January 2017 and 31 December 2017	-
	<hr/>
Net book value	
At 31 December 2017	-
	<hr/>
At 31 December 2016	-
	<hr/>

Details of the company's subsidiaries at 31 December 2017 are as follow:

Name	Place of Incorporation	Place of Operation	% of Ownership	Carrying Amount	Registered Office
Mexichem Fluor EU B.V	Netherlands	Dormant	100%	£1	Runcorn, UK
Mexichem KLEA Refrigerants Limited	UK	Dormant	100%	£1	Runcorn, UK
Mexichem HFA Trading Limited	UK	Dormant	100%	£1	Runcorn, UK

At 31 December 2017 all subsidiaries were dormant. On 1st January 2018 Mexichem UK Limited transferred its European Refrigerant business to the UK Branch of Mexichem Fluor EU B.V., FC035075

18. Inventories

	2017 £'000	2016 £'000
Raw materials	74	94
Finished goods	17,540	14,422
	<hr/>	<hr/>
	17,614	14,516
	<hr/>	<hr/>

There is no material difference between the balance sheet value and the replacement cost.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

19. Trade and other receivables

	2017	2016
	£'000	£'000
Amount receivable for the sale of goods	25,485	14,800
Allowance for doubtful debts	(5)	(13)
	<u>25,480</u>	<u>14,787</u>
Amounts receivable from group undertakings	18,522	10,530
Amounts receivable from associate undertakings	-	145
Other debtors	578	409
Prepayments	665	613
	<u>45,245</u>	<u>26,484</u>

Trade receivables

Trade receivables disclosed above are measured at amortised cost.

The average credit period taken on sales of goods is 70 days (2016: 66 days). Credit insurance is in place to cover 90% of all external trade receivables. Allowances for doubtful debts of 50% against the uninsured element of all receivables over 90 days and 100% against the uninsured element of all receivables over 120 days are recognised because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances against doubtful debts recognised against trade receivables between 1 day and 90 days overdue are based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed either once a year or when there is a significant change to the trade with that customer.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the company to the counterparty. These receivables are on average 30 days overdue.

Ageing of past due but not impaired receivables

	2017	2016
	£'000	£'000
30-60 days	92	88
60-90 days	(92)	-
90-120 days	-	25
120+ days	(47)	3
	<u>(47)</u>	<u>116</u>
Total	<u>(47)</u>	<u>116</u>

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

19. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2017 £'000	2016 £'000
Balance at the beginning of the year	13	4
Additional provisions	-	9
Amounts released during the year	(8)	-
Balance at the end of the year	<u>5</u>	<u>13</u>

In determining the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £nil due from companies that have been placed in liquidation (2016: £nil).

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

20. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior year.

	Tax losses £'000	Accelerated tax depreciation £'000	Provisions £'000	Assets held for sale £'000	Total £'000
At 1 January 2016	-	-	-	-	-
Charge/(credit) to profit or loss	166	1,326	20	-	1,512
At 31 December 2016	<u>166</u>	<u>1,326</u>	<u>20</u>	<u>-</u>	<u>1,512</u>
At 1 January 2017	166	1,326	20	-	1,512
Charge/(credit) to profit or loss	-	(279)	44	(120)	(355)
Adjustment in respect of prior year	(166)	(13)	(4)	-	(183)
At 31 December 2017	<u>-</u>	<u>1,034</u>	<u>60</u>	<u>(120)</u>	<u>974</u>

Deferred tax assets and liabilities have been offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £'000	2016 £'000
Deferred tax liabilities	(168)	-
Deferred tax assets	1,142	1,512
	<u>974</u>	<u>1,512</u>

At the balance sheet date the company has unrecognised deferred tax asset of £403,000 available for offset against future profits. Included in the unrecognised tax losses is £202,000 capital loss, as we do not anticipate future chargeable gains to arise against which these losses could be offset, and £201,000 relating to provisions. Deferred tax on provisions has not been recognised as there is insufficient evidence available on the costs to be incurred to support the recognition.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

21. Trade and other payables

	2017 £'000	2016 £'000
Trade payables and accruals	14,660	9,570
Amounts payable to group undertakings	14,151	8,710
Amounts payable to associate undertakings	-	93
Other payables	1,049	596
	<u>29,860</u>	<u>18,969</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 23 days (2016: 32 days). For most suppliers no interest is charged on the trade payables. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

22. Provisions

	2017 £'000	2016 £'000
Restructuring provision	<u>2,282</u>	<u>5,956</u>
Current	2,282	4,970
Non current	-	986
Restructuring provision	<u>2,282</u>	<u>5,956</u>

	Restructuring provision £'000
At 1 January 2017	5,956
Provision utilised	(3,674)
At 31 December 2017	<u>2,282</u>

The restructuring provision relates to the closure costs of HFC-125, the blending facility and divestment of the feedstock business (note 14). The provision will be utilised as these sites are cleared. It is expected this will be completed by 31 December 2019.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

23. Long term accruals

	2017 £'000	2016 £'000
Long term incentive plan	248	97

Mexichem has a restricted stock program for its executive staff. This program consists in assigning a specific number of "phantom" actions to the executive known as Long-Term Incentive Plan (LTIP). The company annually grants a determined amount of phantom shares aligned with the value of the real shares. Each year the value of the LTIP is granted to the active executives selected, who have been rendering services for at least six months at the time of the allocation.

Of the total value allocated, 40% is paid in three proportional parts (13.33% each a year) only if the annual performance targets established in the plan are achieved.

The remaining 60% of the value allocated will be paid in the third year of the allocation, only if the financial performance targets for the three years are achieved.

Payments are only made to employees active on the payroll at the time the exercise of the phantom shares is approved.

24. Share capital

	2017 £'000	2016 £'000
Authorised:		
Balance at 1 January 2017 (69,033,288 ordinary shares of £1 each)	69,033	69,033
Balance at 31 December 2017 (69,033,288 ordinary shares of £1 each)	69,033	69,033
Issued and fully paid:		
Balance at 1 January 2017 (69,033,288 ordinary shares of £1 each)	69,033	69,033
Balance at 31 December 2017 (69,033,288 ordinary shares of £1 each)	69,033	69,033

The company has one class of original shares that carry no right to fixed income.

25. Retained earnings

	£'000
Balance at 1 January 2016	(38,218)
Profit for the financial year	9,267
Available for sale financial assets gain arising during the year	1,102
Balance at 1 January 2017	(27,849)
Profit for the financial year	28,201
Available for sale financial assets gain arising during the year	-
Balance at 31 December 2017	352

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

26. Notes to the cash flow statement

	2017	2016
	£'000	£'000
Profit for the financial year	28,201	9,267
Adjustments for:		
Other (gains) and losses	(313)	(334)
Finance cost	-	7
Income tax charge/(credit)	6,192	(1,222)
Amortisation of intangibles	553	773
Depreciation of property, plant and equipment	1,137	926
Increase in provision	-	5,980
Operating cash flows before movements in working capital	35,770	15,397
(Increase)/Decrease in inventories	(3,098)	849
Increase in receivables	(4,631)	(4,224)
(Increase)/Decrease in assets classified as held for sale	(707)	1,332
Increase in payables	11,042	499
Decrease in liabilities	-	(185)
Cash from operations	38,376	13,668
Provision paid	(3,674)	(9,272)
Tax paid	(1,221)	-
Net cash from operating activities	33,481	4,396

Cash and cash equivalents

	2017	2016
	£'000	£'000
Cash and bank balances	29,314	11,549

The directors consider the carrying amount of these assets is to equal their fair value.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

27. Operating lease arrangements

The company as lessee

	2017	2016
	£'000	£'000
Lease payments under operating leases recognised as an expense in the year	974	2,494

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£'000	£'000
Within one year	432	974
In the second to fifth years inclusive	270	2
	<u>702</u>	<u>976</u>

Operating lease payments represent rentals payable for certain office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years with an option to extend for a further three years at the then prevailing market rate.

28. Retirement benefit schemes

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the company in funds under the control of trustees.

The total cost charged to income of £1,759,000 (2016: £1,643,000) represents contributions payable to the scheme by the company at rates specified in the rules of the plans. As at 31 December 2017, unpaid contributions due in respect of the current year were £108,000.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

29. Financial instruments

Capital risk management

The company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital and retained earnings as disclosed in notes 24 and 25.

The company is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratio at the year end is as follows:

	2017 £'000	2016 £'000
Cash and cash equivalents	29,314	11,549
Net funds	29,314	11,549
Equity	55,250	41,184
Net funds to equity ratio	53%	28%

Equity includes all capital and reserves of the company that are managed as capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2017 £'000	2016 £'000
Financial assets		
Cash and bank balances	29,314	11,549
Trade receivables	25,480	14,787
Total financial assets	54,794	26,336
Financial liabilities	-	-

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

29. Financial instruments (continued)

Financial risk management objectives

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk. The company has in place a risk management program that seeks to limit the adverse effects on the financial performance of the company where appropriate.

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to such risk exceed any potential benefits.

The company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties.

Other foreign exchange exposures arise on retranslation of trading balances either with third parties or with other group companies, therefore a large proportion of the risk is mitigated at a group, rather than company level. For the remaining exposure it is the view of management that given the size of the company's operations, the costs of managing exposure to such risk exceed any potential benefits.

Foreign currency risk management

The company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities	Assets	Liabilities	Assets
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
US dollar	15,392	19,943	10,128	14,133
Euro	381	27,242	287	13,360
Japanese Yen	-	-	-	-

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

29. Financial instruments (continued)

Foreign currency sensitivity analysis

The company is mainly exposed to US dollar and Euro currency.

The following table details the sensitivity to a ten per cent increase and decrease in Sterling against the relevant foreign currencies. Ten per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a ten per cent change in foreign currency rates. A positive number below indicates an increase in profit where Sterling strengthens ten per cent against the relevant currency. For a ten per cent weakening of Sterling against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

	US dollar impact		Euro impact	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
	(ii)	(ii)	(i)	(i)
Profit or loss	3,212	2,206	2,511	1,241

(i) This is mainly attributable to the exposure outstanding on Euro receivables and payables.

(ii) This is mainly attributable to the exposure outstanding on US dollar receivables and payables.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk given that it is performed based on year end amounts and exchange rates, which may not necessarily reflect the exposure during the year.

The change in equity due to a ten per cent increase or decrease in Sterling against the relevant foreign currencies would be the same as the impact on the income statement.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The company's policy is to only extend unsecured credit to creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Creditworthiness is determined by reviewing information from independent rating agencies where available, and if not available, the company uses other publicly available financial information and internal trading records to rate our major customers. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

Trade receivables consist of a significant number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company performs ongoing credit evaluations of its customer's financial condition and monitors the credit worthiness of its customers to which it grants credit in ordinary course of business. Consequently, if required the Company takes necessary mitigation measures. Further the allowance for impairment of trade receivables is created to the extent, and as and when required, based upon the expected collectability of accounts receivable.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The company manages liquidity risk by maintaining adequate reserves, banking facilities and by monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

29. Financial instruments (continued)

Liquidity and interest risk tables

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the company may be required to pay.

	Weighted average effective interest rate	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2016							
Trade and other payables		3,053	15,909	-	-	-	18,962

The total of £18,373,000 continuing business and £185,000 held for sale.

	Weighted average effective interest rate	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2017							
Trade and other payables		2,789	27,046	3,505	-	-	33,340

The following table details the company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2016						
Cash and cash equivalents	11,549	-	-	-	-	11,549
Trade and other receivables	13,703	12,760	136	-	-	26,599
	25,252	12,760	136	-	-	38,148

Trade receivables is the total of £22,546,000 continuing business and £405,000 held for sale.

31 December 2017						
Cash and cash equivalents	29,314	-	-	-	-	29,314
Trade and other receivables	22,887	8,223	-	-	-	31,110
	52,201	8,223	-	-	-	60,424

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

30. Related party transactions

Trading transactions

During the year, the company entered into the following transactions with related parties:

	Cost recharges £'000		Sale of goods £'000		Purchase of goods £'000	
	2017	2016	2017	2016	2017	2016
Mexichem Fluor Inc	-	-	-	3,079	3,552	16,628
Mexichem Fluor Japan Limited	-	-	3,507	111	-	12,205
Mexichem Fluor Taiwan Inc	-	-	-	590	2,144	17,161
Mexichem Fluor S.A. de C.V.	1,112	5,598	49	804	3	-
Mexichem Fluor Comercial S.A. de C.V.	-	-	-	-	6	-
Mexichem Resinas Vinilicas S.A. de C.V.	-	-	-	-	6,114	-
Mexichem Servicios Administrativos S.A.de C.V.	-	-	-	-	115	-
Wavin France S.A.S	-	-	-	-	-	-
Wavin UK Limited	-	-	-	-	3	-
Wavin Holland	-	-	-	-	61	-

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Mexichem Fluor Inc	151	390	6,421	3,123
Mexichem Fluor Japan Limited	3,459	30	2,161	2,244
Mexichem Fluor Taiwan Inc	157	183	5,218	3,123
Mexichem Fluor S.A. de C.V.	14,236	1,715	147	144
Mexichem Fluor Comercial S.A. de C.V.	-	6	-	-
Mexichem Resinas Vinilicas S.A. de C.V.	268	8,206	-	-
Mexichem Servicios Administrativos S.A.de C.V.	-	-	181	66
Mexichem Derivados SA de C.V.	268	-	-	-
Wavin France S.A.S	-	-	1	2
Wavin UK Limited	-	-	10	8
Wavin Holland	-	-	61	-

Sales and purchases of goods with related parties and cost recharges were made in accordance with the group's transfer pricing policies.

The amounts outstanding are held within receivables and payables. These are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Amounts owed by related parties include the following short term debt balances:

	2017 £'000	2016 £'000
Mexichem Fluor S.A. de C.V.	13,599	-
Mexichem Fluor Resinas Vinilicas S.A. de C.V.	268	-
Mexichem Derivados SA de C.V.	268	-

These payments were made on 2nd November 2017. The purpose of the payments was a share capital reduction, reducing the value of share capital from 69,033,288 to 54,898,486. An administrative error resulted in the appropriate paperwork not being filed with Companies House within the 15 days required and the oversight was not identified until 2018. The repayments are being treated as a short term debt until the correct filing occurred.

Mexichem UK Limited
Notes to the financial statements (continued)
For the year ended 31 December 2017

30. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the key management personnel which includes the directors, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration directors is provided in note 9.

	2017 £'000	2016 £'000
Short-term employee benefits	1,521	1,350
Post employment benefits	104	102
Termination payments	140	166
	<u>1,765</u>	<u>1,618</u>

Directors' transactions

There were no directors' transactions in the year.

31. Parent undertakings and controlling party

The directors regard Mexichem Fluor S.A. de C.V., a company incorporated in Mexico, is the immediate parent undertaking of the company. The directors regard Mexichem S.A.B. de C.V., a company incorporated in Mexico, to be the ultimate parent undertaking of the company. Mexichem S.A.B. de C.V. is the largest and smallest group in to which the results are consolidated. Copies of Mexichem S.A.B. de C.V. consolidated financial statements can be obtained from the Company Secretary and registered address at, Mexichem S.A.B. de C.V., Río San Javier No. 10, Fracc. Viveros del Río, Tlalnepantla, Estado de México, C.P. 54060.

The directors regard Kaluz S.A. de C.V., Blvd Manuel Avila Camacho 191, Esquina Av Horacio 1855, Campeche, CM 11510, Mexico to be the ultimate controlling party by virtue of its majority shareholding in Mexichem S.A.B. de C.V.