

BASF plc

Directors' Report and Financial Statements

Registered Number 667980

for the Year Ended 31 December 2020

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Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the company is split into manufacturing and distribution. Manufacturing activities comprise of Hexamethylenediamine production at Seal Sands operated by Ineos Nitriles (UK) Ltd, the manufacture and sale of polyurethane systems, the manufacture of products for the pest control sector, care chemicals, oilfield and mining products, and the manufacture of products for the construction industry. Distribution comprises the import and distribution of chemicals mainly to the agriculture markets, automotive and construction industry, and to most industries in the United Kingdom.

During the current financial year the construction business has been sold to Lone Star. Results for the construction industry are therefore only included up to the end of 30 June 2020. A decision to close the operation at Seal Sands was taken at the end of the current financial year. Both of these activities are therefore included in the accounts as discontinued operations.

Fair review of the business

Performance

The company made an operating loss of £41,849,000 (2019: profit 248,000). The operating loss at the Seal Sands site was £59,675,000 (2019: loss £6,838,000). The loss in the current period was predominantly made up of the cost of disposal of operations of £39,016,000 (2019: nil) and operating losses of £20,659,000 (2019: £6,838,000). Increase in losses compared to prior year is from site prolonged shut-down and operational issues in the current financial year.

Turnover increased compared to the prior year to £661,995,000 (2019: £474,945,000). The main increase in turnover is from an increase in merchandise business. Turnover that was previously recorded as agency sales, where the company earned commission income only are now sold directly to the end customers and included in Turnover. Turnover for this merchandise distribution business in the current year increased to £413,383,000 (2019: £107,339,000). Turnover at the Seal Sands site decreased to £18,017,000 (2019: £96,267,000) as a result of shut-downs and operational issues at the site operated by Ineos Nitriles (UK) Ltd. Discontinued operations relating to the sale of the construction business represented £30,099,000 reduction in total sales as the business was only included to 30 June 2020.

The company has three segments:

- acting as an agent for chemicals, plastics and related products for BASF SE; the sale of speciality products sourced on behalf of BASF SE relating to care chemicals; royalties;
- sales and distribution of agriculture products, industrial coatings, polyurethanes systems and pesticide products;
- manufacture of hexamethylenediamine (discontinued), construction chemicals (discontinued), industrial and coil coatings, polyurethanes systems, rodenticides, care chemicals, and oilfield and mining products;

Strategic Report for the Year Ended 31 December 2020 (continued)

Performance (continued)

The first segment, turnover generated from acting as an agent, came from commission received from BASF Societas Europaea and BTC Europe GmbH. Total commission revenue received was £1,020,000 (2019: £14,991,000). The remaining turnover in this segment is made up of sales of speciality products sourced on behalf of BASF Societas Europaea relating to care chemicals business of £58,316,000 (2019: £594,000), and royalty revenue of £812,000 (2019: £1,165,000). Increase in care chemicals is related to change in selling products as an agent and receiving commission revenue which are now sold directly to customers.

The second segment, the import and distribution business operates in a mature market. BASF plc already occupies a leading position in terms of market share. To retain this position, new product initiatives are brought to the market on a regular bases. Total turnover for this segment for the period was £508,990,000 (2019: £223,576,000).

The third segment turnover of manufactured products was £92,858,000 (2019: £234,619,000). Reduction is as described above from sale of construction business and shut-down and operational issues as the Seal Sands site.

Sales to the UK increased to £543,879,000 (2018: £265,916,000). This is in-line with the increase in sales due to direct merchandise sales to customers. Sales decreased to Europe to £85,362,000 (2019: £151,535,000) mainly due to the reduction in sales of products from the Seal Sands site sold to group companies in Europe, and sales to the rest of the world decreased to £32,754,000 (2019: £57,494,000) mainly from sales of construction chemicals products produced in the UK which were only included up to the sale of the business to 30 June 2020.

Key performance indicators

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Average Days Sales Outstanding (Agency business)	days	41.60	49.90
Average Days Sales Outstanding (Merchandise business)	days	67.40	83.60
Selling costs % of net turnover	%	5.40	9.07
Gross Margin	%	7.50	11.80

Selling and agency costs, as a percentage of net sales were 5.4% (2019: 9.07%). The two main areas for selling costs are the agricultural products and construction chemicals segments. The agricultural products segment had selling and agency costs as a percentage of net turnover of 11.8% (2019: 12.96%). In the construction chemicals segment the selling and agency costs as a percentage of net turnover were 13.6% (2019: 12.97%). BASF's construction chemicals business was sold during the financial year to Lone Star as part of a global deal. The overall decrease is due to previous agency sales being recorded as merchandise sales and included in the net sales of the company.

The average Days Sales Outstanding (DSO) for agency business decreased from 49.9 days in 2019 to 41.6 days in 2020. The part of the DSO relating to merchandise business saw an decrease from 83.6 days in 2019 to 67.4 days in 2020 due mainly to the effect of the reclassified Agency Sales being reported as Merchandise. Agricultural sales have the longest days sales outstanding, and with the new merchandise sales being included at a lower days sales outstanding has reduced the overall average number of days. The gross margin on turnover was 7.5% (2019: 11.8%). The decreased margin is due to sale of the construction chemical production business during the period which had higher gross margins than the remaining now mainly merchandise business.

Strategic Report for the Year Ended 31 December 2020 (continued)

Section 172(1) Companies Act 2006

The Directors confirm that they have acted in good faith in the way they consider what would be most likely to promote the success of the Company for the benefit of its members. In doing so they have considered, among other matters, those set out in section 172(1) (a) to (f) of the Companies Act 2006: the likely consequences of any decision in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company. This statement applies equally to the Directors individually and when acting collectively as the Board.

In discharging their duties in relation to section 172 (1), careful consideration is given to the matters set out above. The stakeholders we consider in this regard are primarily employees, suppliers and customers, the communities we operate in, the wider world and environment.

Engagement with our shareholders and all stakeholders is of fundamental importance across the business and the Directors are focused on building these relationships on a continuous basis.

Communities

We are committed to creating sustainable, long-term opportunities in our communities. In addition to aiming to become an employer of choice, in the Corporate Citizenship area (not-for-profit activities), we make donations and undertake not-for-profit activities with the goal of having a 'halo' of effect around each of our sites and supporting our strategic ESG activities. Outreach initiatives that particularly bring together children, education and science are part of our ongoing target so the next generation can be excited about science chemistry and realise its importance for our future, one example is this year's Great Science Share where over 210,000 children undertook science activities in one day!

Environment

The company has continued to develop its views and laterally has developed a new method with external experts to perform the first monetary assessment of the economic, ecological, and social impacts of its business activities along the value chain: the "Value to Society" approach.

The intention is to measure the value proposition of our actions along the entire value chain, aware that our business activities are connected to both positive and negative impacts on the environment and society. We strive to increase our positive contribution to society and minimize the negative effects of our business activities.

Engagement with employees

Our people are critical to the success of our company, and we are continuing to invest in making the company a better place to work and become an employer of choice. Our continuing development digitally allows internal social media (Yammer and Teams) to be part of our monitoring and listening activities. The company has invested in a new head office with careful collaboration and involvement of employees in the design and implementation process in order to improve the working environment and meet the needs of its employees.

Strategic Report for the Year Ended 31 December 2020 (continued)

Engagement with suppliers, customers and other relationships

We are committed to enhancing the customer experience by acknowledging customer feedback within 48 hours and following up within 20 business days. We use Net Promoter Score® (NPS®) to measure our customers' experience of the company and this provides a way to collect feedback in real time. Our monthly performance tracking scorecard and additional KPIs measure percentage first response to customer within 48 hours, percentage follow up in 20 days, and overall net promoter score (measured as the number of promoters who gave the company a score of 9 or 10 out of 10 minus the percentage of detractors who gave ratings of 0 through to 6).

The Net Promoter System® elevates the voice of our customers across our company, empowering every employee to enhance the customer experience. To continuously improve customer experience, we think of the Net Promoter Score® (NPS®) as more than just a survey tool or a score. We will listen to customers' feedback, learn how we can improve their experience with BASF and act to make a difference our customers can see and feel.

The company is committed to prompt payment practice and follows the prompt payment code. We are committed to paying our suppliers with the terms agreed at the outset of the contract, and to paying over 95% of our invoices within 60 days. The company publishes its prompt payment practices report twice yearly.

Environmental matters

The company has continued to develop its views and laterally has developed a new method with external experts to perform the first monetary assessment of the economic, ecological, and social impacts of its business activities along the value chain: the "Value to Society" approach.

The intention is to measure the value proposition of our actions along the entire value chain, aware that our business activities are connected to both positive and negative impacts on the environment and society. We strive to increase our positive contribution to society and minimize the negative effects of our business activities.

Company employees

The company is an equal opportunities employer. All recruitment assessments and selection processes are made without reference to age, gender, race, religion, disability, sexual orientation, marital status and other protected characteristics.

The Company has several support interventions available to all employees. Should an employee become disabled during employment with the Company these would be used to understand the requirements of the employee. This would include identifying any reasonable adjustments which needed to be made.

Employee development is included as an element of the BASF performance management systems. Employees discuss their development aspirations and are encouraged to continually develop their skills. Promotions are made based on skills and abilities and without reference to other characteristics including disability.

Strategic Report for the Year Ended 31 December 2020 (continued)

Social and community issues

BASF has continued to lead in the thinking around circularity in the economy which is so much more than simple resource management. The aim is to close cycles and use products and resources in the best way possible across the entire value chain. This understanding is appearing more across politics, industry and society over the last years working to change away from the linear model of “take-make-dispose“ to a system of closed loops powered by renewable energy. The chemical industry and its innovations can lead the way in this change and BASF is already applying circular economy in a number of ways in everything from coffee cups to car bumpers.

Corporate Citizenship

In the Corporate Citizenship area (not-for-profit activities), we pursue with our donations and own not-for-profit activities with the goal of having a ‘halo’ of effect around each of our sites. Outreach initiatives that particularly bring together children, education and science are our ongoing target so the next generation can be excited about science chemistry and realise its importance for our future. The launch of the BASF ScienceXperiences adds hugely in this areas well as supporting the Salford Saturday Science Club and the ChemQuiz. Particular mention should be made of the national Great Science Share program where one hundred thousand children participated in self driven in science activities and our ongoing science dictionary donations which have exceeded fifty thousand.

Outlook for 2021

For 2021, despite some uncertainty related to the COVID-19 pandemic and potential supply issues, our outlook for the second half of 2021 is based on the assumption that our overall demand in end markets will remain at similar levels as we have seen in the first half of 2021. We have seen increased demand in the first half 2021 compared to 2020 and forecast this to continue for the full year.

Brexit

On 29 March 2017, Article 50 was triggered starting the process of the UK leaving the European Union, and on 31st January 2020, some 3.5 years later the UK left, ending 46 years of the UK’s membership. While in practical terms not much changed during the transition period running until the end of 2020, we saw substantially increased friction with the flows of goods and materials to and from our businesses.

COVID-19 Pandemic

The global pandemic has resulted in governments taking varied actions towards stemming its spread and also bolstering economies. The company is closely monitoring the spread of COVID-19, the actions and reactions of government and the how is does and will affect our business..

Strategic Report for the Year Ended 31 December 2020 (continued)

Risks and uncertainties

The board of directors have identified the following risks and uncertainties as those which could have a significant impact on the performance of the company going forward:

- Impact of COVID 19 and risk of a significant slump in economic activity during the second half of 2021
- Inherent risks in BASF products of obsolescence due to competitors developing technically superior products and the loss of market share.
- Risk of a major incident involving a chemical leak and contamination.
- Reduction in the oil price affecting prices especially in the Industrial Business
- The global shortage of semi-conductors and force majeure exercised over some of the component materials slowing down production of new cars continues in 2021
- Risk of significant changes in currency exchange rates. The company maintains constant management review of foreign exchange exposure and the Groups policy is to hedge these risks using forward exchange contracts which are entered into by BASF Societas Europaea.

Approved by the Board on 10 August 2021 and signed on its behalf by:



H Koerner
Company secretary

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Proposed dividend

Dividends paid during the year comprise an interim dividend of £40,000,000 (2019: £nil)

The directors do not recommend the payment of a final dividend.

Directors of the company

The directors who held office during the year were as follows:

R J Carter (ceased 31 December 2020)

G W Mackey

T Urwin

K Harper

H Pflanzl

The following directors were appointed after the year end:

T Birk (appointed 7 June 2021)

D Budd (appointed 1 January 2021 and ceased 7 June 2021)

Disclosure of information to the auditor

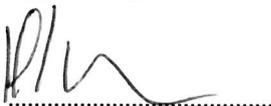
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Reappointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

4th and 5th floors
2 Stockport Exchange
Railway Road,
Stockport
SK1 3GG
England

Approved by the Board on 10 August 2021 and signed on its behalf by:



H Koerner
Company secretary

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

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

KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent Auditor's Report to the Members of BASF plc

Opinion

We have audited the financial statements of BASF plc (the 'company') for the year ended 31 December 2020, which comprise the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Statement of Changes in Equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of BASF plc (continued)

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period.

We did not identify any additional fraud risks. In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or unrelated accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards) and from inspection of the Company’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent Auditor's Report to the Members of BASF plc (continued)

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's Report to the Members of BASF plc (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



.....
Andrew Reddington (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Date: ...23rd August 2021

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 Continuing operations £ 000	2020 Discontinued operations £ 000	2020 Total £ 000	2019 Continuing operations £ 000	2019 Discontinued operations £ 000	2019 Total £ 000
Turnover	3	615,190	46,805	661,995	275,795	199,150	474,945
Cost of sales		<u>(557,865)</u>	<u>(54,659)</u>	<u>(612,524)</u>	<u>(239,996)</u>	<u>(178,728)</u>	<u>(418,724)</u>
Gross profit/(loss)		57,325	(7,854)	49,471	35,799	20,422	56,221
Distribution costs		(38,222)	(7,726)	(45,948)	(40,053)	(19,895)	(59,948)
Administrative expenses		(17,614)	(3,017)	(20,631)	(8,732)	(11,983)	(20,715)
Other operating income/(expense)	4	13,942	333	14,275	24,776	(86)	24,690
Cost of disposal of operations		<u>-</u>	<u>(39,016)</u>	<u>(39,016)</u>	<u>-</u>	<u>-</u>	<u>-</u>

The notes on pages 19 to 55 form an integral part of these financial statements.

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 Continuing operations £ 000	2020 Discontinued operations £ 000	2020 Total £ 000	2019 Continuing operations £ 000	2019 Discontinued operations £ 000	2019 Total £ 000
Operating profit/(loss)	6	15,431	(57,280)	(41,849)	11,790	(11,542)	248
Income from shares in group undertakings	10	4,634	-	4,634	4,500	-	4,500
Other interest receivable and similar income	7	143	-	143	642	-	642
Interest payable and similar charges	8	(2,232)	-	(2,232)	(3,003)	-	(3,003)
Other finance income	9	981	-	981	568	-	568
Amounts written off investments	17	(2,008)	-	(2,008)	-	-	-
Profit on disposal of Investments		48,814	-	48,814	-	-	-
		<u>50,332</u>	<u>-</u>	<u>50,332</u>	<u>2,707</u>	<u>-</u>	<u>2,707</u>
Profit/(loss) before tax		65,763	(57,280)	8,483	14,497	(11,542)	2,955
Taxation	14	6,518	491	7,009	1,871	1,992	3,863
Profit/(loss) for the financial year		<u>72,281</u>	<u>(56,789)</u>	<u>15,492</u>	<u>16,368</u>	<u>(9,550)</u>	<u>6,818</u>

Discontinued operations relates to two business disposals and the closure of a site. Additional details can be seen on page 1. As per FRS102 para 5.7f the prior periods income statement has been represented to reflect all operations that have been discontinued at the end of the current reporting period.

The notes on pages 19 to 55 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020	2019
	£ 000	£ 000
Profit for the year	15,492	6,818
Remeasurement gain/(loss) on defined benefit pension schemes (gross)	(6,100)	30,554
Income tax charge/income on remeasurement loss on defined benefit pension schemes	<u>1,159</u>	<u>(5,194)</u>
Total comprehensive income for the year	<u><u>10,551</u></u>	<u><u>32,178</u></u>

Balance Sheet as at 31 December 2020

	Note	2020 £ 000	(As restated)* 2019 £ 000
Fixed assets			
Intangible assets	15	16,437	19,955
Tangible assets	16	11,313	17,569
Investments	17	-	27,400
		<u>27,750</u>	<u>64,924</u>
Current assets			
Stocks	18	64,092	73,371
Debtors falling due within one year	19	333,966	195,926
Debtors falling due after more than one year	20	7,397	5,421
Cash at bank and in hand	21	3	10
		<u>405,458</u>	<u>274,728</u>
Creditors: Amounts falling due within one year	22	<u>(359,946)</u>	<u>(117,466)</u>
Net current assets		<u>45,512</u>	<u>157,262</u>
Total assets less current liabilities		73,262	222,186
Creditors: Amounts falling due after more than one year	22	(25,044)	(175,287)
Provisions for liabilities	23	<u>(34,342)</u>	<u>(9,713)</u>
Net assets excluding pension asset and post-retirement healthcare scheme		13,876	37,186
Net pension assets	24	37,972	44,108
Post-retirement healthcare scheme	24	<u>(416)</u>	<u>(413)</u>
Net assets		<u>51,432</u>	<u>80,881</u>
Capital and reserves			
Called up share capital	25	30,750	30,750
Profit and loss account		<u>20,682</u>	<u>50,131</u>
Total equity		<u>51,432</u>	<u>80,881</u>

* This statement has been restated in respect of a change in assumption on future discretionary increases in the defined benefit pension scheme (see notes 1, 23, and 24).

Balance Sheet as at 31 December 2020 (continued)

Approved and authorised by the Board on 10 August 2021 and signed on its behalf by:



T Urwin
Director

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019 as reported	30,750	14,551	45,301
PYA adjustment refer note 1	-	3,402	3,402
At 1 January 2019 as restated	<u>30,750</u>	<u>17,953</u>	<u>48,703</u>
Profit for the year	-	6,818	6,818
Other comprehensive income	-	25,360	25,360
Total comprehensive income	-	32,178	32,178
At 31 December 2019 as restated	<u>30,750</u>	<u>50,131</u>	<u>80,881</u>
	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020 as reported	30,750	46,729	77,479
PYA adjustment refer note 1	-	3,402	3,402
As at 1 January 2020 as restated	<u>30,750</u>	<u>50,131</u>	<u>80,881</u>
Profit for the year	-	15,492	15,492
Other comprehensive income	-	(4,941)	(4,941)
Total comprehensive income	-	10,551	10,551
Dividends	-	(40,000)	(40,000)
At 31 December 2020	<u>30,750</u>	<u>20,682</u>	<u>51,432</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated in England. The company's registered office is 4th and 5th floors, 2 Stockport Exchange, Railway Road, Stockport, SK1 3GG.

Restatement of the statement of financial position

A restatement has been made to the statement of financial position and note 24 due to the fact that management identified that the future discretionary increase assumption applied to the BASF Group pension scheme in the previous periods was 1.5% instead of 0.8%. The 2019 figures, and impacts in the P&L and OCI were correct in the 2019 filed accounts. The change in assumptions was applied during 2019 and as it is an historic matter then the correction has been applied to the opening position of the pension liability.

The restatement has resulted in a £4,200,000 change in opening and closing DBO for the Group Scheme, which decreased from £547,345,000 as at 1 January 2019 to £543,145,000. This also affected the closing position as at 31 December 2019 which also decreased from £570,688,000 to £566,488,000. This gave an increased pension surplus of £37,890,000 as at 31 December 2019 compared to the previously stated £33,690,000. The deferred tax effect on the £4,200,000 was £798,000 and therefore the opening deferred tax liability as at 1 January 2020 increased from £6,714,000 to £7,512,000 as at 31st December 2020. The net effect of these changes also affected reserves brought forward. Reserves changed from £45,301,000 as at 1 January 2019 to £48,703,000. This in turn affected the closing reserves as at 31 December 2019 and opening reserves as at 1 January 2020 which changed from £77,479,000 to £80,881,000 as restated.

There is no impact on the 2019 profit and loss account or the statement of comprehensive income due to the restatement.

These financial statements were authorised for issue by the Board on 10 August 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

The company's ultimate parent undertaking, BASF Societas Europaea (BASF SE) includes the company in its consolidated financial statements. The consolidated financial statements of BASF SE are prepared in accordance with International Financial Reporting Standards as adopted by the EU. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and
- Cash Flow Statement and related notes
- Key Management Personnel compensation

The financial statements of BASF SE may be obtained from BASF Societas Europaea, D67056 – Ludwigshafen, Germany.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downside scenarios. The company will have sufficient funds, to meet its liabilities as they fall due for that period. The severe but plausible scenarios have been based on the company's performance during the lock down periods in the prior year.

BASF Plc have a large portion of its business either on a merchandise distribution model or contract manufacturing agreement model. Both are covered by signed transfer pricing agreements with BASF Group that guarantees the company's long term EBIT through the pricing of inputs acquired from group and sales price achieved on outputs sold to the group.

In a severe but plausible downside scenario, where the company does not achieve the minimum EBIT set out in the transfer pricing agreement in a particular year, these arrangements will achieve that minimum EBIT in the long term via a reduction in the future inter-company transfer price of products purchased, in the case of the merchandise distribution model, or an increased future inter-company transfer selling price, in the case of the contract manufacturing agreements.

For BASF plc the main risk areas are those sites not covered by one or other of the above agreements. These would be the manufacturing site operated by Ineos at Seal Sands, the Dealburn Road manufacturing site, The Bradford Hub sales of products produced by Solenis, and the manufacturing site for polyurethane products at Alfreton.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern (continued)

During the year the drop in market demand for products produced at the Seal Sands site provided alternative options to source the products required by the BASF group from alternative suppliers. The lease for the Seal Sands site, operated by Ineos, was due to expire in August 2028. A decision was taken to immediately close the Seal Sands operations with no production in 2021. There are no sales and EBIT from the Seal Sands site in the forecasts for the going concern period. For Dealburn Road, Bradford Hub sales and Alfreton sites, the directors forecast a loss in the going concern period, assuming no sales to be achieved during this period. This loss would be the amount required to cover the sites' fixed costs. The directors believe that this is not a likely scenario but consider this as worst-case plausible outcome. The first half of 2021 is showing increased sales for these sites compared to the same period in the prior year.

Profit and loss before tax, even in a severe but plausible scenario for BASF plc, are forecast to be positive for 2021. The merchandise distribution and contract manufacturing model base case forecast to achieve between £17 million and £18 million EBIT per annum in 2021 and 2022.

The company is part of the group's cash concentration agreement. At the end of each day cash is swept into (or overdrafts paid out of) a group bank account. The balance in that account is accessible by all members of the agreement, including the company. Therefore, the company is reliant on cash being available under the cash concentration agreement when it is required to settle its liabilities in the normal course of business (which is expected to be the case) or would have access to cash generated by other group companies if required (but the current forecasts show that this will not be required, even in the severe but plausible scenario). The company has 22.8 million GBP net current assets at the end of the current financial period 2020, including an inter-company receivable due from the group under the cash concentration agreement of £165 million. As at 31 July 2021 the cash concentration balance was a receivable balance of £15 million, after the repayment of the loan balance (see below). The BASF group has continued to generate positive EBITDA and EBIT before special item results during the pandemic and has remained cash generative.

At the balance sheet date, the company had a loan due to BASF Ireland Limited that was due to expire in May 2021 in the amount of 150 million GBP. This loan has been partially repaid in the amount of 125 million GBP, and the remaining 25 million GBP balance was renegotiated on similar terms with BASF Ireland Limited for a period of six months. The company retains a long-term loan of 25 million which is not due for repayment until after 12 months from date of signing the accounts.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Exemption from preparing group accounts

The financial statements contain information about BASF plc as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, BASF Societas Europaea, a company incorporated in Germany.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

Tax

Tax on profit or loss for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company.

Deferred tax is measured at the rate that is expected to apply to the reversal of the related difference, using tax rates that have been enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Asset class	Depreciation rate
Buildings	2% - 10% per annum
Leasehold land and Buildings	life of lease
Plant and machinery	10% - 33.3% per annum
Motor vehicles	33.3% per annum
Fixtures, fittings, tools and equipment	10% - 20% per annum
Computer equipment	20% - 50% per annum
Dispensary equipment	50% per annum

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, by equal instalments over their useful life as follows:

Asset class	Amortisation rate
Goodwill	20 years
Intangible assets other than goodwill	3 - 15 years

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average method.

The cost of finished goods and work in progress 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. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Provisions

Provisions are recognised when the company has an obligation at the reporting date 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.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

When the company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the company.

The company recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity;
- and specific criteria have been met for each of the company's activities.

Investments

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Borrowings

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Segmental analysis

The analysis of the company's turnover for the year is as follows:

	2020	2019
	£ 000	£ 000
Sale of goods	660,163	458,789
Royalties received	812	1,165
Commissions received	1,020	14,991
	<u>661,995</u>	<u>474,945</u>

The analysis of the company's turnover for the year by class of business is as follows:

	2020	2019
	£ 000	£ 000
Manufacturing	92,858	234,619
Distribution of chemicals, plastics and related products	508,990	223,576
Sales acting as agent, sale of speciality care chemicals and royalties	60,147	16,750
	<u>661,995</u>	<u>474,945</u>

The analysis of the company's turnover for the year by market is as follows:

	2020	2019
	£ 000	£ 000
UK	543,879	265,916
Europe	85,362	151,535
Rest of world	32,754	57,494
	<u>661,995</u>	<u>474,945</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020	2019
	£ 000	£ 000
Miscellaneous other operating income	61	161
Non trade business recharges	11,746	14,082
Income from non-typical operations	2,468	10,447
	<u>14,275</u>	<u>24,690</u>

Income from non-typical operations include income from leasing, and recharges of technical and engineering services to other group companies.

5 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2020	2019
	£ 000	£ 000
Gain (loss) on disposal of intangible assets	(1,998)	-
Loss from disposals of investments	(2,008)	-
	<u>(4,006)</u>	<u>-</u>

6 Operating (loss)/profit

Arrived at after charging/(crediting)

	2020	2019
	£ 000	£ 000
Depreciation expense	17,811	7,052
Amortisation expense	1,619	1,522
Research and development cost	1,031	128
Operating lease expense - property	884	659
Operating lease expense - plant and machinery	163	132
Operating lease expense - other	1,290	1,167
Profit on disposal of property, plant and equipment	-	(1,189)
Gain from write-downs and reversals of inventories	1,368	(2,355)
	<u>1,368</u>	<u>(2,355)</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Other interest receivable and similar income

	2020	2019
	£ 000	£ 000
Other finance income	-	70
Receivable from group undertakings	143	575
	<u>143</u>	<u>645</u>

8 Interest payable and similar charges

	2020	2019
	£ 000	£ 000
Interest on obligations under finance leases and hire purchase contracts	3	3
Gain/(loss) on Foreign exchange	(211)	(258)
Interest payable to group undertakings	2,441	3,261
	<u>2,233</u>	<u>3,006</u>

9 Other finance (income)/costs

	2020	2019
	£ 000	£ 000
Expected return on pension scheme assets	(34,482)	(41,822)
Interest on pension scheme liabilities	33,500	41,254
	<u>(982)</u>	<u>(568)</u>

10 Income from other fixed asset investments

	2020	2019
	£ 000	£ 000
Dividends from Sorex Holdings Limited	(2,023)	-
Dividends from BASF Construction Chemicals Ltd	(2,611)	(4,500)
	<u>(4,634)</u>	<u>(4,500)</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£ 000	£ 000
Wages and salaries	30,326	36,242
Social security costs	3,518	4,004
Pension costs, defined contribution scheme	4,723	5,382
Pension costs, defined benefit scheme	-	1
Other post-employment benefit costs	195	80
	<u>38,762</u>	<u>45,709</u>

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

	2020	2019
	No.	No.
Production	186	236
Sales, marketing, distribution, research and administration	357	367
	<u>543</u>	<u>603</u>

12 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£ 000	£ 000
Remuneration	618	683
Contributions paid to money purchase schemes	71	87
	<u>689</u>	<u>770</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020	2019
	No.	No.
Received or were entitled to receive shares under long term incentive schemes	-	2
Accruing benefits under money purchase pension scheme	2	2

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Directors' remuneration (continued)

In respect of the highest paid director:

	2020	2019
	£ 000	£ 000
Remuneration	<u>276</u>	<u>316</u>

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

The long term incentive scheme is the BASF Group BOPS scheme, details of which can be found in the accounts of BASF Societas Europaea.

13 Auditor's remuneration

	2020	2019
	£ 000	£ 000
Audit of the financial statements	<u>235</u>	<u>261</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Taxation

Tax charged/(credited) in the profit and loss account

	2020	2019
	£ 000	£ 000
Current taxation		
UK corporation tax credit	(5,574)	(322)
UK corporation tax (credit)/expense adjustment to prior periods	<u>(284)</u>	<u>75</u>
	(5,858)	(247)
Foreign tax expense	<u>2</u>	<u>190</u>
Total current income tax expense	<u>(5,856)</u>	<u>(57)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(1,087)	(3,798)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(66)</u>	<u>(8)</u>
Total deferred taxation	<u>(1,153)</u>	<u>(3,806)</u>
Tax receipt in the profit and loss account	<u><u>(7,009)</u></u>	<u><u>(3,863)</u></u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020	2019
	£ 000	£ 000
Profit before tax	<u>8,483</u>	<u>2,955</u>
Corporation tax at standard rate	1,612	562
Effect of revenues exempt from taxation	(9,875)	(5,894)
Effect of expense not deductible in determining taxable profit (tax loss)	1,397	802
Deferred tax expense relating to changes in tax rates or laws	220	447
(Decrease)/increase in UK and foreign current tax from adjustment for prior periods	(350)	67
Tax increase arising from overseas tax suffered/expensed	2	190
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(15)</u>	<u>(37)</u>
Total tax credit	<u>(7,009)</u>	<u>(3,863)</u>

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current rate of 19% and not reduce to 17% from 1 April 2020. This will increase the company's future current tax charge accordingly.

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This increase has not yet been substantively enacted. Consequently, deferred tax should continue to be calculated at 19% until the 25% tax rate has been substantively enacted, which we expect to occur during the summer 2021.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

2020	Asset £ 000	Liability £ 000
Accelerated capital allowances	2,343	-
Provisions	26	-
Retirement Benefit obligations	-	7,136
Tax losses carried forward	3,050	-
	<u>5,419</u>	<u>7,136</u>
	<u>5,419</u>	<u>7,136</u>
2019	Asset £ 000	Liability £ 000
Accelerated capital allowances	2,007	-
Provisions	43	-
Retirement Benefit obligations	-	8,995
Tax losses carried forward	2,729	-
	<u>4,779</u>	<u>8,995</u>
	<u>4,779</u>	<u>8,995</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

15 Intangible assets

	Goodwill £ 000	Trademarks, patents and licenses £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	89,352	767	90,119
Additions	52	-	52
Acquisitions (Note)	47	-	47
Disposals	(8,812)	-	(8,812)
At 31 December 2020	<u>80,639</u>	<u>767</u>	<u>81,406</u>
Amortisation			
At 1 January 2020	69,418	746	70,164
Amortisation charge	1,602	17	1,619
Amortisation eliminated on disposals	(6,814)	-	(6,814)
At 31 December 2020	<u>64,206</u>	<u>763</u>	<u>64,969</u>
Carrying amount			
At 31 December 2020	<u>16,433</u>	<u>4</u>	<u>16,437</u>
At 31 December 2019	<u>19,934</u>	<u>21</u>	<u>19,955</u>

The aggregate amount of research and development expenditure recognised as an expense during the period is £1,031,525 (2019 - £128,190).

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 Tangible assets

	Land and buildings £ 000	Motor Vehicles, fittings and equipment £ 000	Assets under construction £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost or valuation					
At 1 January 2020	14,928	3,901	3,202	74,575	96,606
Additions	1,473	15,129	981	555	18,138
Disposals	(4,073)	(1,448)	(1,279)	(10,861)	(17,661)
Transfers	25	339	(1,761)	1,350	(47)
At 31 December 2020	<u>12,353</u>	<u>17,921</u>	<u>1,143</u>	<u>65,619</u>	<u>97,036</u>
Depreciation					
At 1 January 2020	8,120	2,989	-	67,928	79,037
Charge for the year	353	14,406	-	3,052	17,811
Eliminated on disposal	(1,364)	(1,055)	-	(8,706)	(11,125)
At 31 December 2020	<u>7,109</u>	<u>16,340</u>	<u>-</u>	<u>62,274</u>	<u>85,723</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 Tangible assets (continued)

	Land and buildings £ 000	Motor Vehicles, fittings and equipment £ 000	Assets under construction £ 000	Other property, plant and equipment £ 000	Total £ 000
Carrying amount					
At 31 December 2020	<u>5,244</u>	<u>1,581</u>	<u>1,143</u>	<u>3,345</u>	<u>11,313</u>
At 31 December 2019	<u>6,808</u>	<u>912</u>	<u>3,202</u>	<u>6,647</u>	<u>17,569</u>

Included within the net book value of land and buildings above is £5,243,133 (2019 - £6,807,119) in respect of freehold land and buildings.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

17 Investments in subsidiaries, joint ventures and associates

	2020	2019
	£ 000	£ 000
Investments in subsidiaries	-	27,400
Subsidiaries	<u> </u>	<u> </u>
		£ 000
Cost or valuation		
At 1 January 2020		27,400
Disposals sale of investment		(53,477)
Additions		28,085
Disposals		<u>(2,008)</u>
At 31 December 2020		-
Provision		
At 1 January 2020 and 31 December 2020		<u> </u>
Carrying amount		
At 31 December 2020		<u> </u>
At 31 December 2019		<u> </u>
		27,400

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

17 Investments in subsidiaries, joint ventures and associates (continued)

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
Nunhems UK Ltd	400 South Oak Way, Reading, RG2 6AD England	Ordinary	100%	100%

The principal activity of Nunhems UK Ltd is the distribution of vegetable seeds.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

18 Stocks

	2020	2019
	£ 000	£ 000
Raw materials and consumables	4,922	12,482
Merchandise	55,007	48,283
Finished goods and goods for resale	4,163	12,484
Other inventories	-	122
	<u>64,092</u>	<u>73,371</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £612,524,000 (2019: £418,724,000). The write-down of stocks to net realisable value and aged stock provision amounted to a gain of £1,367,747 (2019: loss £2,355,087), and have reduced gross stocks to the carrying amount above. The movement in the stock provision in the current year is related mainly to products produced at Seal Sands. Due to these negative margins as a result of high fixed costs stocks were written down to net realisable value resulting in the loss in the current period.

19 Debtors falling due within one year

	Note	2020	2019
		£ 000	£ 000
Trade debtors		122,784	34,769
Amounts owed by group undertakings	29	180,171	152,310
Other debtors		4,321	3,963
Prepayments		612	634
Accrued income		-	99
Deferred tax assets	14	1,321	42
Corporation tax		24,757	4,109
		<u>333,966</u>	<u>195,926</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

20 Debtors falling due after more than one year

	Note	2020 £ 000	2019 £ 000
Other debtors		2,004	685
Deferred tax assets	14	<u>5,393</u>	<u>4,736</u>
Total current trade and other debtors		<u><u>7,397</u></u>	<u><u>5,421</u></u>

21 Cash and cash equivalents

	2020 £ 000	2019 £ 000
Cash at bank	<u>3</u>	<u>10</u>

22 Creditors

	Note	2020 £ 000	2019 £ 000
Due within one year			
Loans and borrowings	26	150,246	422
Trade creditors		11,922	11,890
Amounts owed to group undertakings	29	146,957	84,158
Social security and other taxes		1,162	1,432
Other payables		34,867	348
Accrued expenses		14,032	19,119
Other current financial liabilities		583	89
Deferred income		<u>177</u>	<u>8</u>
		<u><u>359,946</u></u>	<u><u>117,466</u></u>
Due after one year			
Loans and borrowings	26	25,000	175,000
Other non-current financial liabilities		44	1
Trade creditors due after more than one year		<u>-</u>	<u>286</u>
		<u><u>25,044</u></u>	<u><u>175,287</u></u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

23 Deferred tax and other provisions

	Onerous contracts and plant closure £ 000	Employee benefits £ 000	(As restated) Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 January 2020	-	88	7,512	2,113	9,713
Additional provisions	22,255	51	7,136	4,011	33,453
Provisions used	-	-	(7,512)	(383)	(7,895)
Unused provision reversed	-	-	-	(61)	(61)
Increase (decrease) from transfers and other changes	-	(5)	-	(863)	(868)
At 31 December 2020	<u>22,255</u>	<u>134</u>	<u>7,136</u>	<u>4,817</u>	<u>34,342</u>

Other provisions consist of provisions for contaminated sites, environmental measures, restructuring provisions, dilapidation provisions, and on-going employee claims against the company. It includes a provision of £2,280,000 for the closure of the Seal Sands site relating to employees.

Onerous Contracts and plant closure provision includes £21,789,000 for the closure of the Seal Sands site.

24 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £4,723,086 (2019 - £5,382,259).

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

Defined benefit pension schemes

The BASF pension scheme includes two sections, the group section and the BPP Section. BASF Pensions Trustees Limited and its board of directors governs and directs the activities of the scheme. The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website, www.thepensionregulator.gov.uk.

The results are particularly sensitive to some assumptions, such as the discount rate, level of assumed price inflation and morality. A decrease in the discount rate assumed or an increase in price inflation will lead to an increase in reported cost. An increase in members' life expectancy will lead to an increase in reported cost.

Under paragraph 28.22 of FRS102, a surplus can be recognised to the extent that it can offset contributions for future service, or where it forms part of a potential refund of the surplus. The company's Trust Deed and Rules the company would potentially be entitled to a refund of surplus on wind-up. Therefore, the surpluses at the 2019 and 2020 year ends have been recognised in full.

The weighted average duration of the scheme is 17.4 years. This has been used to determine the discount rate.

Following the UK Government and UK Statistics Authority's announcement on 25 November 2020 that they intend to align RPI with CPIH from February 2030, the assumed gap between RPI and CPI for the period from 2030 onwards has been reduced to 0% pa from 0.5% pa at the previous year-end. This change resulted in an increase of the defined benefit obligation of around £1 million for the Group Section and around £3 million for the BPP Section.

The pension increase assumptions are calculated using a Black-Scholes model, with allowance being made for the assumed levels of inflation, assumed levels of inflation volatility and the levels of the various caps. Revised inflation volatility assumptions (1.75% pa for RPI versus 2.4% pa at the previous year-end, and 1.5% pa for CPI versus 1.9% pa at the previous year-end) have been adopted, reflecting both the announcement that RPI is expected to align with CPIH from February 2030 and lower levels of inflation volatility observed since 2000 compared with more historical periods. This change resulted in an increase in the defined benefit obligation of £15 million for BPP section and £5 million for Group section.

Group Section BASF PLC UK Group Pension Scheme

The Group section of the BASF UK Group Pension scheme is a funded defined benefit scheme which is closed to new members and closed to future accrual. On 31 March 2012, the Scheme closed to future accrual. From this date active members of the Scheme are termed 'Continuing members', retaining a link to final pensionable salary. The Trustee and the company have agreed that no contributions are required for the Group section, as the Group Section was in surplus at the most recent actuarial valuation, dated 31 December 2017.

The curtailment gain relates to Group section members who became deferred as a result of the divestiture of the construction chemical business. The gain has been recognised immediately in the income statement.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

The date of the most recent comprehensive actuarial valuation was 31 December 2017. The valuation was carried out for funding purposes. The company has employed an independent actuary to approximately update the liability calculations for the 2017 actuarial valuation allowing for differences between the actuarial assumptions used by the Scheme for funding purposes and those adopted by the company to measure the DBO, as well as adjusting for benefit accrual and benefits paid from the Scheme between 31 December 2017 and 31 December 2019.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2020	(As restated)
	£ 000	2019
		£ 000
Fair value of scheme assets	649,067	604,378
Present value of defined benefit obligation	<u>(607,234)</u>	<u>(566,488)</u>
Defined benefit pension scheme surplus	<u>41,833</u>	<u>37,890</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020	(As restated)
	£ 000	2019
		£ 000
Present value at start of year	566,488	543,145
Interest cost	11,635	15,484
Remeasurement: actuarial (gains)/losses	56,533	34,852
Benefits paid	(28,185)	(26,993)
Effect of curtailments	<u>763</u>	<u>-</u>
Present value at end of year	<u>607,234</u>	<u>566,488</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2020	2019
	£ 000	£ 000
Fair value at start of year	604,378	572,676
Interest income	12,426	16,219
Return on plan assets, excluding amounts included in interest income	60,448	42,476
Benefits paid	<u>(28,185)</u>	<u>(26,993)</u>
Fair value at end of year	<u>649,067</u>	<u>604,378</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2020 £ 000	2019 £ 000
Debt instruments	558,198	522,377
Other	34,400	36,445
Equity instruments	56,469	45,556
	<u>649,067</u>	<u>604,378</u>

Return on scheme assets

	2020 £ 000	2019 £ 000
Return on scheme assets	<u>72,874</u>	<u>58,695</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2020 %	(As restated) 2019 %
Discount rate	1.50	2.20
Future salary increases	3.80	3.00
Future pension increases for deferred benefits	2.50	2.30
Future pension increases RPI-linked	.80	.80
pension increases LPI 5%	3.10	3.00
pension increases LPI 2.5%	<u>2.10</u>	<u>2.00</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

Post retirement mortality assumptions

	2020	2019
	Years	Years
Current UK pensioners at retirement age - male	22.00	21.90
Current UK pensioners at retirement age - female	24.00	23.80
Future UK pensioners at retirement age - male	23.00	22.80
Future UK pensioners at retirement age - female	<u>25.10</u>	<u>25.00</u>

BPP Section of the BASF UK Group Pension Scheme

The BPP section of the BASF UK group Pension scheme is a funded defined benefit scheme which is closed to new members and closed to future accrual. The BPP section closed to future accrual of benefits with effect from 31 December 2015. The Trustee and the company have agreed that contributions in line with the contributions schedule will be paid into the BPP section to eliminate the funding shortfall as at 31 December 2017.

The date of the most recent comprehensive actuarial valuation was 31 December 2017. The valuation was carried out for funding purposes. The company has employed an independent actuary to approximately update the liability calculations for the 2017 actuarial valuation allowing for differences between the actuarial assumptions used by the Scheme for funding purposes and those adopted by the company to measure the DBO, as well as adjusting for benefit accrual and benefits paid from the Scheme between 31 December 2017 and 31 December 2019.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2020	2019
	£ 000	£ 000
Fair value of scheme assets	1,118,345	1,010,225
Present value of defined benefit obligation	<u>(1,120,926)</u>	<u>(1,002,811)</u>
Defined benefit pension scheme (deficit)/surplus	<u>(2,581)</u>	<u>7,414</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

	2020	2019
	£ 000	£ 000
Present value at start of year	1,002,811	965,087
Interest cost	21,178	25,723
Remeasurement: actuarial (gains)/losses	141,183	73,190
Benefits paid	(44,546)	(54,289)
Effect of curtailments	300	(6,900)
Present value at end of year	<u>1,120,926</u>	<u>1,002,811</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2020	2019
	£ 000	£ 000
Fair value at start of year	1,010,225	942,845
Interest income	21,404	25,603
Return on plan assets, excluding amounts included in interest income	131,262	96,066
Benefits paid	(44,546)	(54,289)
Fair value at end of year	<u>1,118,345</u>	<u>1,010,225</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2020 £ 000	2019 £ 000
Equity instruments	280,705	261,274
Debt instruments	696,729	615,251
Other	140,911	133,700
	<u>1,118,345</u>	<u>1,010,225</u>

Return on scheme assets

	2020 £ 000	2019 £ 000
Return on scheme assets	<u>152,666</u>	<u>121,669</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the Balance Sheet date are as follows:

	2020 %	2019 %
Discount rate	1.50	2.20
Future salary increases	3.10	3.00
Future pension increases for deferred benefits	3.30	3.30
Future pension increases RPI-linked	2.50	2.40
pension increases LPI 5%	3.10	3.00
pension increases LPI 2.5%	<u>2.10</u>	<u>2.00</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

Post retirement mortality assumptions

	2020	2019
	Years	Years
Current UK pensioners at retirement age - male	21.60	21.50
Current UK pensioners at retirement age - female	23.60	23.40
Future UK pensioners at retirement age - male	22.60	22.50
Future UK pensioners at retirement age - female	<u>24.80</u>	<u>24.60</u>

Ex-Gratia Scheme

Ex-Gratia Scheme is an unfunded pension arrangement that provides retirement income to members administered by Legal & General.

The date of the most recent comprehensive actuarial valuation is not applicable to the Ex-Gratia Scheme.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2020	2019
	£ 000	£ 000
Present value of defined benefit obligation	<u>(1,280)</u>	<u>(1,196)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020	2019
	£ 000	£ 000
Present value at start of year	1,196	1,187
Interest cost	26	33
Remeasurement: actuarial (gains)/losses	58	2
Contributions by scheme participants	<u>-</u>	<u>(26)</u>
Present value at end of year	<u>1,280</u>	<u>1,196</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2020	2019
	%	%
Discount rate	1.50	2.60
Inflation	3.30	3.40
Future pension increases RPI-linked	<u>3.10</u>	<u>3.10</u>

Post retirement medical benefit

The plan is a post retirement medical benefit plan in the UK.

The date of the most recent comprehensive actuarial valuation is not applicable for the post retirement medical benefit.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

2020	2019
£ 000	£ 000
<u>(416)</u>	<u>(413)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020	2019
	£ 000	£ 000
Present value at start of year	413	494
Interest cost	9	14
Actuarial gains and losses	36	(56)
Benefits paid	<u>(42)</u>	<u>(39)</u>
Present value at end of year	<u>416</u>	<u>413</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Pension and other schemes (continued)

Principal actuarial assumptions

The principal actuarial assumptions at the Balance Sheet date are as follows:

	2020	2019
	%	%
Discount rate	1.50	2.20
Initial medical trend	5.80	5.80
Ultimate medical trend	<u>5.80</u>	<u>5.80</u>

Post retirement mortality assumptions

	2020	2019
	Years	Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	<u>24.00</u>	<u>24.00</u>

25 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>30,750</u>	<u>30,750</u>	<u>30,750</u>	<u>30,750</u>

26 Loans and borrowings

	2020	2019
	£ 000	£ 000
Non-current loans and borrowings		
Loans from other group undertakings	<u>25,000</u>	<u>175,000</u>

	2020	2019
	£ 000	£ 000
Current loans and borrowings		
HP and finance lease liabilities	60	78
Loans from other group undertaking	<u>150,186</u>	<u>344</u>
	<u>150,246</u>	<u>422</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

26 Loans and borrowings (continued)

Current loans and borrowings owed to group undertakings comprises of a short term loan of £150,000,000 that was entered into on 25 May 2016, and has a maturity date of 24 May 2021. The interest rate on the loan at the year end was charged at 1.00% (2019: 1.75%. This was included in Non-current loans and borrowings in the prior year but has been reclassified as it is due within 12 months of the year end).

Included in Non-current loans and borrowings is a long term loan for £25,000,000 that was entered into on 24 November 2017, and has a maturity date of 24 November 2022. The interest rate on the loan at the year end was charged at 1.31% (2019: 2.05%).

27 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	1,442	2,377
Later than one year and not later than five years	2,680	2,324
Later than five years	3,585	1,885
	<u>7,707</u>	<u>6,586</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £2,359,000 (2019 - £1,958,000).

28 Contingent liabilities

Professional assessments are undertaken to identify the environmental financial provisions required for the Bradford site every three years. As a result of the last assessment carried out in 2018, contingent liabilities totalling £2,009,631 were identified. The directors have been advised that it is possible, but not probable, the liability will arise and accordingly no provision for any liability has been made in these financial statements. The next assessment will be carried out during 2021.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

29 Related party transactions

All material transactions with related parties during the current and prior year have been with the company's immediate parent, fellow subsidiaries and other group undertakings. As such, the company has taken advantage of the exemption allowed under FRS 102.33.1A not to disclose such transaction. Related party balances outstanding at the balance sheet date are disclosed in total under the relevant notes above.

30 Post balance Sheet Events

Loans and Borrowings.

On 24 May 2021 the company repaid £125,000,000 of the £150,000,000 loan to group undertakings from its surplus inter-company bank balance, and renegotiated the balance of £25,000,000 on similar terms for a period of 6 months.

Following the decision to close the Seal Sands site operated by Ineos Nitriles (UK) Limited, the plant has started to be dismantled and severances paid to Ineos, for the Utilities and Services employees as part of the Services Agreement. Site dismantling will continue during 2021. Costs for the site closure were provided in the current financial year.

31 Parent and ultimate parent undertaking

The company's immediate parent is BASF UK Holdings Limited, incorporated in England.

The ultimate parent is BASF Societas Europaea, incorporated in Germany.

The most senior parent entity producing publicly available financial statements is BASF Societas Europaea. These financial statements are available upon request from BASF Societas Europaea, D67056 – Ludwigshafen, Germany.

The ultimate controlling party is BASF Societas Europaea.