BASF Pharma (Callanish) Limited

Directors' Report and Financial Statements

Registered Number 5507387

for the Year Ended 31 December 2022

Contents

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity
The principal activity of the company is the commercial manufacture and supply of Active Pharmaceutical ingredients. The company's core capability is purification and enrichment of omega-3 and omega-6 long chain fatty acids including analytical and stability testing.

Fair review of the business
BASF Pharma (Callanish) Ltd is a leading company in the Omega 3 Active Pharmaceutical Ingredient (API) supply market and also has a presence in the high concentrates (61%-80%), Omega 3 Nutrition and Clinical Nutrition markets. The company continues with the development of the proprietary chromatographic separation methods and is actively executing R&D and Capital Investment projects to further expand its nominal production capacity. 2022 saw a continued improvement in sales demand for our key API products and increased final plant output levels above those achieved in previous years.

The company made an operating profit of £10,322,000 (2021: profit of £2,221,000)

Key performance indicators

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

Financial KPIs	**Unit**	**2022**	**2021**
Turnover	£000s	49,325	37,303
Headcount	No.	78	74

Strategic Report for the Year Ended 31 December 2022

Section 172(1) statement
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.

Environment

A key objective is to minimise our environmental footprint. We will continue to strive to achieve our goal during the financial year 2023.

Shareholders

The Directors regularly engage with our shareholders and feedback matters discussed to senior management.

Engagement with employees
Our employees 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.

Engagement with suppliers, customers and other relationships
During the year ended 31 December 2022, we engaged and worked closely with our customers and suppliers. We will continue to develop our engagement with partners and customers during the financial year 2023.

Strategic Report for the Year Ended 31 December 2022

Environmental matters
BASF use efficient processes while simultaneously protecting the environment, since we consume less resources as well as reducing emissions and waste.

New technologies for energy production and energy distribution are continuously being tested and evaluated to achieve an increase in the energy efficiency of our sites.

Social and community issues
BASF has ambitious environmental, health and safety goals. The company wants to increase its energy efficiency **-** defined as the amount of sales products in relation to the primary energy and to reduce greenhouse gas emissions per ton of sales product.

Throughout the BASF Group, across all regions, divisions, and sites. Safety is our core value at BASF and is never compromised on.

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:

- Raw material and energy costs are prone to increase and the company makes all efforts to pass onto the customer. Dependent on the market, selling price increases cannot always be attained.

- Inherent risks in BASF products of obsolescence due to competitors developing technically superior products and also the risk of a major incident involving a leak and contamination.

- Risk of significant changes in currency exchange rates. The company maintains constant management review of foreign exchange exposure and the group's policy is to hedge these risks using forward exchange contracts which are entered into by BASF Societas Europaea.

Tariffs, duty, rules of origin, logistics processes and the machinations of Government are all under continual scrutiny.

In the current volatile political climate BASF have teams aligned, closely monitoring the situation to ensure we understand when any action needs to be prepared for or taken.

Approved by the Board on 15 June 2023 and signed on its behalf by:

Helen Koerner (Jun 15, 2023 15:43 GMT+1)

H Koerner
Company secretary

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

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

T Urwin

K Harper

T Birk

V Wascholowski

Dividends
The directors do not recommend the payment of a dividend (2021: £nil)

Financial instruments

Objectives and policies

The company primarily finances its operations using borrowings, cash and liquid resources, debtors and creditors, debt and equity. These financial instruments all arise in the normal course of the company's operating activities.

Price risk, credit risk, liquidity risk and cash flow risk

The company does not engage in speculative activities using derivative financial instruments. Company cash reserves are pooled and managed centrally in order to ensure the best returns. The majority of borrowings is also within the BASF group, which results in lower financial costs.

Interest rate risk, liquidity risk and exchange risk are managed at a group level via a combination of BASF Services Europe GmbH and BASF SE, the company's ultimate parent. This reduces significantly the exposure of BASF Pharma (Callanish) Limited to movements in the market.

Employment of disabled persons
The company gives full and fair consideration to employment applications from disabled persons, having regard to the aptitudes and abilities of the applicant and the nature of work involved. The company uses all reasonable endeavours to provide continued and any necessary retraining to any employees becoming disabled during employment, and to give all employees equal opportunities for training, career development and promotion.

Employee involvement
Employee involvement and consultation is managed in a number of ways. The process of team briefings by line managers continues to be an important basis for ensuring good internal communications. These arrangements also promote a common awareness amongst the employees of the financial and economic factors affecting the performance of their segments and the business. This is supplemented by both segmental and company-wide publications and an intranet.

Directors' Report for the Year Ended 31 December 2022

Environmental matters
BASF uses efficient processes while simultaneously protecting the environment, since we consume less resources as well as reducing emissions and waste.

New technology for energy production and energy distribution is continuously being tested and evaluated to achieve an increase in the energy efficiency of our site.

Future developments
The company will continue to be a leading company in the omega 3 active pharmaceutical ingredient supply market. The market for omega 3 products has grown significantly over the last few years and is expected to continue to grow further in the future.

Streamlined Energy & Carbon Reporting

Emissions and energy consumption

The information presented below shows the company's emissions across Scopes 1 and 2 along with its energy use and an appropriate intensity ratio in line with the UK Government Streamlined Energy and Carbon Reporting (SECR) requirements. Factors used in the calculation of emissions are per the Government greenhouse gas conversion factors for company reporting (Government conversion factors for company reporting of greenhouse gas emissions- GOV UK (www.gov.uk)).

Scope 1 covers emissions from the direct combustion of gas oil and burning oil, consumption data is captured from delivery notes.
Scope 2 covers emissions from electricity purchased for own use, consumption data is captured from supplier billing.
The company had no material scope 3 emissions which are required to be disclosed.

Summary of scope 1 (direct) greenhouse gas emissions for the year ended 31 December 2022:

Name and description	**Unit of measurement**	**2022**	**2021**
Gas oil	tCO_2e	2,680	9,120
Burning oil	tCO_2e	4,347	0
		7,027	9,120

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 December 2022:

Name and description	**Unit of measurement**	**2022**	**2021**
Electricity	tCO_2e	639	808

Directors' Report for the Year Ended 31 December 2022

Summary of energy consumption for the year ended 31 December 2022:

Name and description	**Unit of measurement**	**2022**	**2021**
Gas oil	kWh	10,436,352	35,516,812
Burning oil	kWh	17,617,415	0
Electricity	kWh	3,306,633	3,805,085
		31,360,400	39,321,897

Intensity ratio

Emissions per tonne of production

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	2022	2021	2020
tCO2e per tonne of production	21.00	31.00	46.00

The company reduced its emissions in absolute terms by 23% in 2022 (2021: 15%) and by 32% (2021: 33%) in relation to production output intensity.

In 2022 the final phase of an operational excellence project was completed resulting in additional capacity and enabling improved production with no additional energy consumption.

Current plans to optimize energy efficiency include:

• Assessment of ESOS compliant audit in 2022.
• Formation of a site energy management team from 2022.
• One pass process – reduce by half the process steps of the simulated moving bed process for EPA production.
• Solvent recovery optimisation – technical analysis is ongoing, the timeline for completion of this capex project would be 2030 in line with BASF global GHG reduction target.

The company has a number of regulatory levers to optimize energy efficiency, namely:

• Pollution Prevention and Control (PPC) permit regulated by the Scottish Environmental Protection Agency (SEPA) which requires regular assessment and review of resource and waste utlilisation.
• Climate Change Agreement (CCA) administered by the Environment Agency (EA) where a voluntary agreement is in place to reduce energy consumption in return for rebates on environmental levies.

Directors' Report for the Year Ended 31 December 2022

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
The auditor KPMG LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved and authorised by the Board on 15 June 2023 and signed on its behalf by:

Helen Koerner (Jun 15, 2023 15:43 GMT+1)
....
H Koerner
Company secretary

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

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 Director's 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 also 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.

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

KPMG LLP

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

Independent Auditor's Report to the Members of BASF Pharma (Callanish) Limited

Opinion
We have audited the financial statements of BASF Pharma (Callanish) Limited (the 'company') for the year ended 31 December 2022, 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 2022 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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of BASF Pharma (Callanish) Limited (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 in particular:

• the risk that management may be in a position to make inappropriate accounting entries; and
• the risk that revenue stream is overstated/understated through recording revenues 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.
• Assessing whether the judgements made in making accounting estimates are indicative of a potential bias

Independent Auditor's Report to the Members of BASF Pharma (Callanish) Limited (continued)

Fraud and breaches of laws and regulations - ability to detect (continued)

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.

Firstly, 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.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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.

Independent Auditor's Report to the Members of BASF Pharma (Callanish) Limited (continued)

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

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

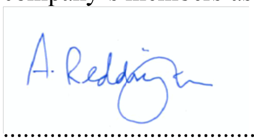
Directors' responsibilities
As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation 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.

Independent Auditor's Report to the Members of BASF Pharma (Callanish) Limited (continued)

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.



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

15 June 2023

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	3	49,325	37,303
Cost of sales		(38,476)	(38,447)
Gross profit/(loss)		10,849	(1,144)
Distribution costs		(449)	(552)
Administrative expenses		(355)	(917)
Other operating income	4	277	4,834
Operating profit	6	10,322	2,221
Other interest receivable and similar income	8	12	16
Interest payable and similar charges	9	(2,006)	(820)
		(1,994)	(804)
Profit before tax		8,328	1,417
Taxation	13	(1,189)	(71)
Profit for the financial year		7,139	1,346

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Profit for the year		7,139	1,346
Total comprehensive income for the year		7,139	1,346

Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Intangible assets	14	917	1,149
Tangible assets	15	10,580	8,505
		11,497	9,654
Current assets			
Stocks	16	14,577	12,950
Debtors falling due within one year	17	11,132	16,414
Debtors falling due after more than one year	18	2,256	2,867
		27,965	32,231
Creditors: Amounts falling due within one year	19	(25,796)	(65,358)
Net current assets/(liabilities)		2,169	(33,127)
Total assets less current liabilities		13,666	(23,473)
Creditors: Amounts falling due after more than one year	19	(50,000)	(20,000)
Net liabilities		(36,334)	(43,473)
Capital and reserves			
Called up share capital	21	20,000	20,000
Profit and loss account		(56,334)	(63,473)
Total equity		(36,334)	(43,473)

Approved and authorised by the Board on 15 June 2023 and signed on its behalf by:

Tom Urwin
Tom Urwin (Jun 15, 2023 15:23 GMT+1)
....
T Urwin
Director

The notes on pages 18 to 33 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	20,000	(64,819)	(44,819)
Profit for the year	-	1,346	1,346
Total comprehensive income	-	1,346	1,346
At 31 December 2021	20,000	(63,473)	(43,473)

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2022	20,000	(63,473)	(43,473)
Profit for the year	-	7,139	7,139
Total comprehensive income	-	7,139	7,139
At 31 December 2022	20,000	(56,334)	(36,334)

Notes to the Financial Statements for the Year Ended 31 December 2022

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 Floor 2 Stockport Exchange, Railway Road, Stockport, SK1 3GG.

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.

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

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.

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Going concern
Notwithstanding net liabilities of £36.3m as at 31 December 2022 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company meets its day to day working capital requirements from operational cash flows, intercompany loan and trading balances with the group headed by BASF SE, the ultimate parent company.

The directors have prepared cash flow forecasts and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due during 12 month period ending 31 May 2024, the going concern assessment period. This assessment is dependent on its fellow subsidiary company, BASF Ireland Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2023 amounted to £72.7m.

BASF Ireland Limited has indicated that it does not intend to seek repayment of these amounts currently due to the group during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.
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 £2.1m net current assets at the end of the current financial period 2022, including an inter-company receivable from the group under the cash concentration agreement of £0.7m. As at 28 February 2023 the cash concentration balance was a receivable balance of £3.1m. The BASF group has continued to generate positive EBITDA and EBIT before special item results during the pandemic and has remained cash generative and is expected to remain as such.

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.

Key sources of estimation uncertainty
The stock provision has two elements, a provision for any slow moving stock and the other element is the impairment to the carrying amount of the stock to its net realisable value based on selling price less costs to complete and sell.

To ensure consistency, the stock provision is calculated using the same principle derived from BASF SE, across all BASF companies.

Notes to the Financial Statements for the Year Ended 31 December 2022

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.

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.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the Company’s functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Tax

Tax on profit or loss for the period comprises current and deferred 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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable.

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 2022

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
Fixtures, fittings, tools and equipment	10% - 20% per annum

No depreciation is provided on assets in the course of construction.

Intangible assets
Separately acquired trademarks and licences are shown at historical cost.

Trademarks, patents and licences 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, over their useful life as follows:

Asset class	Amortisation rate
Trademarks, patents and licences	20 years

No amortisation is provided on patents pending approval, once granted assets are reclassified to trademarks, patents and licences and amortised over the life of the patent.

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 2022

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.

Borrowings
Interest-bearing borrowings are classified as basic financial instruments are recognised initially at fair value, less transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost using the effective interest rate method.

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.

Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Notes to the Financial Statements for the Year Ended 31 December 2022

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.

Defined contribution pension obligation
Employer contributions to the defined contribution pension scheme are charged to the profit and loss account as they arise.

3 Turnover

The analysis of the company's Turnover for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Sale of goods	49,325	37,303

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

	2022 £ 000	2021 £ 000
UK	-	20
Europe	8,099	5,056
Rest of world	41,226	32,227
	49,325	37,303

4 Other operating income

In the prior year the company settled a matter with a direct competitor regarding use of intellectual property owned by the company. As part of this settlement the competitor was obliged to pay $6,000,000 (£4,354,000) to the company for access to this intellectual property. This was included in other operating income.

5 Other gains and losses

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

	2022 £ 000	2021 £ 000
Gain/(loss) from write-downs and reversals of inventories	101	(50)

Notes to the Financial Statements for the Year Ended 31 December 2022

6 Operating profit

Arrived at after charging/(crediting)

	2022 £ 000	2021 £ 000
Depreciation expense	1,086	273
Amortisation expense	50	40
Research and development expense/(income)	1	2
Operating lease expense - property	205	139
Operating lease expense - plant and machinery	29	33

7 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. As at the balance sheet date the full value of grant income had been credited to the profit and loss account.

The amount of grants released to the profit and loss account in 2022 was £125,500 (2021 - £125,500).

8 Other interest receivable and similar income

	2022 £ 000	2021 £ 000
Receivable from group undertakings	12	-
Foreign exchange gains	-	16
	12	16

9 Interest payable and similar charges

	2022 £ 000	2021 £ 000
Foreign exchange losses	428	-
Interest payable to group undertakings	1,578	820
	2,006	820

Notes to the Financial Statements for the Year Ended 31 December 2022

10 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	3,496	3,243
Social security costs	411	361
Pension costs, defined contribution scheme	470	433
	4,377	4,037

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

	2022 No.	2021 No.
Production	75	71
Sales, marketing, distribution, research and administration	3	3
	78	74

11 Directors' remuneration

The directors provide services to a number of Group companies. Remuneration is not allocated by entity and the amounts disclosed represent the total remuneration receivable by the directors for their services to the wider Group.

	2022 £ 000	2021 £ 000
Remuneration	434	379
Contributions paid to money purchase schemes	93	74
	527	453

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

	2022 No.	2021 No.
Received or were entitled to receive shares under long term incentive schemes	1	1
Accruing benefits under money purchase pension scheme	2	3

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Directors' remuneration (continued)

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Remuneration	200	105
Company contributions to money purchase pension schemes	-	29

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

12 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	70	45

13 Taxation

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

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	446	(132)
UK corporation tax adjustment to prior periods	132	22
	578	(110)
Deferred taxation		
Arising from origination and reversal of timing differences	398	869
Arising from changes in tax rates and laws	213	(688)
Total deferred taxation	611	181
Tax expense in the profit and loss account	1,189	71

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit before tax	8,328	1,417
Corporation tax at standard rate	1,582	269
Effect of expense not deductible in determining taxable profit (tax loss)	15	6
Deferred tax expense/(credit) relating to changes in tax rates or laws	213	(688)
Deferred tax (credit)/expense from unrecognised tax loss or credit	(476)	476
Deferred tax (credit)/expense from unrecognised temporary difference from a prior period	(277)	25
Increase in UK and foreign current tax from adjustment for prior periods	132	22
Tax decrease from effect of adjustment in research and development tax credit	-	(39)
Total tax charge	1,189	71

Finance Act 2021 increases the UK corporation tax rate to 25% from 1 April 2023. As it is expected that timing differences resulting in deferred tax assets and liabilities will substantively reverse after this date, deferred tax has been recognised at the rate of 25%. The rate change will lead to an increase in the future current tax charges of the company.

Deferred tax

Deferred tax assets and liabilities

2022	Asset £ 000
Temporary Differences	2,256
	2,256

2021	Asset £ 000
Temporary Differences	1,777
Unused tax losses	1,090
	2,867

There are £Nil of unused tax losses (2021 - £2,505,677) for which no deferred tax asset is recognised in the Balance Sheet. All previously unused tax losses were utilised in the current year.

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Intangible assets

	Trademarks, patents and licences £ 000	Patents Pending Approval £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	859	456	1,315
Additions acquired separately	10	33	43
Disposals	(55)	-	(55)
Transfers	31	(31)	-
Reclassification	-	(174)	(174)
At 31 December 2022	845	284	1,129
Amortisation			
At 1 January 2022	166	-	166
Amortisation charge	50	-	50
Amortisation eliminated on disposals	(4)	-	(4)
At 31 December 2022	212	-	212
Carrying amount			
At 31 December 2022	633	284	917
At 31 December 2021	693	456	1,149

During the year assets under construction of £174,068 previously classified as intangible assets were re-classed to assets under construction within tangible fixed assets.

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Tangible assets

	Leasehold improvements £ 000	Assets in the course of construction £ 000	Plant and machinery, fixtures, fittings and equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	2,175	3,040	40,300	45,515
Additions	23	782	2,188	2,993
Disposals	(34)	-	(307)	(341)
Transfers	25	(1,924)	1,899	-
Reclassification	-	174	-	174
At 31 December 2022	2,189	2,072	44,080	48,341
Depreciation				
At 1 January 2022	883	32	36,095	37,010
Charge for the year	72	-	1,014	1,086
Eliminated on disposal	(31)	-	(304)	(335)
Transfers	25	(25)	-	-
At 31 December 2022	949	7	36,805	37,761
Carrying amount				
At 31 December 2022	1,240	2,065	7,275	10,580
At 31 December 2021	1,292	3,008	4,205	8,505

During the year assets under construction of £174,068 previously classified as intangible assets were re-classed to assets under construction within tangible fixed assets and subsequently transferred to Plant, machinery, fixtures, fittings and equipment upon completion.

Notes to the Financial Statements for the Year Ended 31 December 2022

16 Stocks

	2022 £ 000	2021 £ 000
Raw materials and consumables	3,488	4,381
Merchandise	11,089	8,569
	14,577	12,950

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £38,577,000 (2021: £38,397,000). The reversal of write-down of stocks to net realisable value amounted to £101,000 (2021: £50,000 write down). The reversal is due to a decrease in the stock provision which is due to an increase in turnover.

17 Debtors falling due within one year

Current	**Note**	**2022 £ 000**	**2021 £ 000**
Trade debtors		910	2,946
Amounts owed by related parties	24	9,917	10,998
Other debtors		-	248
Prepayments		163	276
Corporation tax		142	1,946
		11,132	16,414

18 Debtors falling due after more than one year

	Note	**2022 £ 000**	**2021 £ 000**
Deferred tax assets	13	2,256	2,867

Notes to the Financial Statements for the Year Ended 31 December 2022

19 Creditors

	Note	2022 £ 000	2021 £ 000
Due within one year			
Loans and borrowings	22	22,773	50,092
Trade creditors		990	4,677
Amounts owed to group undertakings	24	471	8,743
Social security and other taxes		86	81
Other creditors		1,098	1,128
Accrued expenses		378	511
Deferred income		-	126
		25,796	65,358
Due after one year			
Loans and borrowings	22	50,000	20,000

20 Pension obligations

The employees of the company participate in the Defined Contribution section of the BASF (UK) group Pension Scheme. Information about the plan as a whole can be obtained from the BASF Plc financial statements.

The pension cost shown in note 10 of £470,147 (2021: £432,514) represents the contribution payable by the Company to the fund. Contributions due to the fund are paid in over in the month of deduction from the payroll, so at the balance sheet date contributions of £nil are outstanding (2021: £nil).

21 Share capital

Allotted, called up and fully paid shares

	2022 No. 000	2022 £ 000	2021 No. 000	2021 £ 000
Ordinary Shares of £1 each	20,000	20,000	20,000	20,000

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Loans and borrowings

	2022 £ 000	2021 £ 000
Non-current loans and borrowings		
Loans from other group undertakings	50,000	20,000

	2022 £ 000	2021 £ 000
Current loans and borrowings		
Loans from other group undertakings	22,773	50,092

The amounts payable to group undertakings are owed to BASF Ireland Ltd, a fellow wholly owned subsidiary of BASF SE.

Included in Current loans and borrowings is a long term loan for £20,000,000 due for repayment on 28 February 2023. The interest rate on the loan at the year end was 3.25% (2021: 1.03%). Also included in Current loans and borrowings is a short term loan for £2,500,000 with a one month term, due for repayment on 20 January 2023 with interest charged at 4.59%.

Included in Non-current loans and borrowings is a long term loan for £50,000,000 that was entered into on 24 November 2022 with maturity date of 24 November 2024. The interest rate on the loan at the year end was 4.09%.

23 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2022 £ 000	2021 £ 000
Not later than one year	194	158
Later than one year and not later than five years	768	580
Later than five years	1,036	1,052
	1,998	1,790

The amount of non-cancellable operating lease payments recognised as an expense during the year was £234,000 (2021 - £172,000).

Notes to the Financial Statements for the Year Ended 31 December 2022

24 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.

25 Parent and ultimate parent undertaking

The company's immediate parent is BASF Pharma Belgium BV, incorporated in Belgium.

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.