BASF plc

Directors' Report and Financial Statements

Registered Number 667980

for the Year Ended 31 December 2021

Contents

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is split into manufacturing and distribution. Manufacturing activities comprise of the manufacture and sale of polyurethane systems, the manufacture of products for the pest control, care chemicals, oilfield and mining and industrial coatings sectors. Distribution comprises the import and distribution of chemicals mainly to the agriculture markets, automotive, and to most industries in the United Kingdom.

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

Fair review of the business

Performance

The company made an operating profit of £10,076,000 (2020: loss £41,849,000). The operating loss at the Seal Sands site was £8,460,000 (2020: loss £59,675,000). The loss in the current period was predominantly made up of salaries for engineers, remnant costs and additional site closure cost. In the prior year the costs included site closure costs of £39,016,000 (2019: nil) and operating losses of £20,659,000 (2019: £6,838,000).

Turnover increased compared to the prior year to £874,585,000 (2020: £661,995,000). The main increase in turnover is from an increase in merchandise business. Starting during the first quarter of 2020, turnover that was previously recorded as agency sales, where the company earned commission income, was sold directly to the end customers and included in turnover. Issues relating to BREXIT and COVID-19 meant that the full effect of this change was not fully realised in the prior year. Turnover for this merchandise distribution business in the current year increased to £648,659,000 (2020: £413,383,000). Turnover at the Seal Sands site decreased to £737,000 (2020: £18,017,000). The current year sale was the sale of remaining product at the site to the parent company BASF SE.

The company has three segments:

• sales and distribution of agriculture products, industrial coatings, polyurethanes systems, chemicals, plastics and related products for BASF SE ;

• manufacture of hexamethylenediamine (discontinued), construction chemicals (discontinued), polyurethanes systems, pest control products, care chemicals, oilfield and mining products, and industrial coatings;

• acting as an agent for a small amount of chemicals, plastics and related products for BASF SE; the sale of speciality products sourced on behalf of BASF SE relating to care chemicals; royalties;

Strategic Report for the Year Ended 31 December 2021 (continued)

Performance (continued)
The first 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 £742,141,000 (2020: £508,990,000).

The second segment turnover of manufactured products was £66,849,000 (2020: £92,858,000). Reduction is as described above from sale of construction business and shut-down and operational issues at the Seal Sands site. Turnover from manufacture of construction chemicals products £nil (2020: £25,360,000). Turnover from Seal Sands site £737,000 (2020: £9,392,000).

The third 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 £94,000 (2020: £1,020,000). The reduction is due to the change in business model to direct sales. 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 £64,850,000 (2020: £58,316,000), and royalty revenue of £652,000 (2020: £812,000).

Sales to the UK increased to £716,542,000 (2020: £543,879,000). This is in-line with the increase in sales due to direct merchandise sales to customers. Sales increased to Europe to £125,201,000 (2020: £85,362,000), and sales to the rest of the world decreased to £32,842,000 (2020: £32,754,000).

Key performance indicators

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

	Unit	2021	2020
Average Days Sales Outstanding (Agency business)	days	35.10	41.60
Average Days Sales Outstanding (Merchandise business)	days	62.90	67.40
Selling costs % of net turnover	%	4.06	5.40
Gross Margin	%	7.40	7.50

Selling and agency costs, as a percentage of net sales were 4.06% (2020: 5.4%). The agricultural products segment had selling and agency costs as a percentage of net turnover of 12.8% (2020: 11.8%). The overall decrease is due to 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 41.6 days in 2020 to 35.1 days in 2021. The part of the DSO relating to merchandise business saw a decrease from 67.4 days in 2020 to 62.9 days in 2021. Agricultural sales have the longest days sales outstanding, and with the new merchandise sales being included which have a lower days sales outstanding average, this has reduced the overall number of days.

The gross margin on turnover was 7.4% (2020: 7.5%). The decreased margin is due to sale of the construction chemical production business during the prior period which had higher gross margins than the remaining now mainly merchandise business.

Strategic Report for the Year Ended 31 December 2021 (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 230,000 children undertook science activities in one day! We have also further developed our ScienceXperience as part of our science outreach to our communities and this will be rolled out further.

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 and regular colleague surveys are undertaken including staff awareness and mental health which lead to targeted interventions from communications which have included stress and menopause workshops.

Strategic Report for the Year Ended 31 December 2021 (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 promotor score (measured as the number of promotors 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 is continuing to develop its 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. Our Net Zero targets are a key aspect of this as we strive to increase our positive contribution to society and all our climate change journeys.

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 2021 (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. We are continuing to undertake Carbon Literacy training and awareness for customers, colleagues and stakeholders.

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. This has included engaging with British Science week from our Stockport site. Particular mention should also be made of our ongoing science dictionary donations which have exceeded seventy thousand books.

Outlook for 2022

Our outlook for 2022 is based on the assumption that our overall demand in end markets will remain at similar levels as we have seen in the first 5 months of 2022, adjusted for the seasonal sales of agricultural products. We have seen increased demand in the first 5 months of 2022 compared to 2021 and forecast this to continue for the full year. Turnover has increased by 31% compared to the same period in the prior year.

There have been no additional costs relating to shut-down expenses in 2022 which adversely affected operating profit in the prior year.

Strategic Report for the Year Ended 31 December 2021 (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:

• Potential Impact of a return of restrictions due to COVID 19 and risk of a slump in economic activity during the second half of 2022

• 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.

• Increase in energy prices increasing costs of manufacturing within the United Kingdom,

.• The potential global shortage of gas supplies would impact availability of products produced by BASF SE to be sold in the United Kingdom.

.• The global shortage of semi-conductors and force majeure exercised over some of the component materials slowing down production of new cars continues in 2022

• 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 and authorised by the Board on 28 June 2022 and signed on its behalf by:

....

H Koerner
Company secretary

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Proposed dividend

Dividends paid during the year comprise an interim dividend of £Nil (2020: £40,000,000)

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:

G W Mackey

T Urwin

K Harper

H Pflanzl

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.

Approved and authorised by the Board on 28 June 2022 and signed on its behalf by:

....

H Koerner
Company secretary

4th and 5th floors
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 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 2021, 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 2021 and of its loss 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 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

Identifying and responding to risks of material misstatement related to 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.

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

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.

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.

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

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.

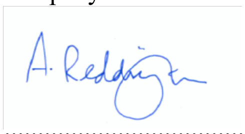
The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

A fuller description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

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



....

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

28 June 2022

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 Continuing operations £ 000	2021 Discontinued operations £ 000	2021 Total £ 000	2020 Continuing operations £ 000	2020 Discontinued operations £ 000	2020 Total £ 000
Turnover	3	873,848	737	874,585	615,190	46,805	661,995
Cost of sales		(807,684)	(2,300)	(809,984)	(557,865)	(54,659)	(612,524)
Gross profit/(loss)		66,164	(1,563)	64,601	57,325	(7,854)	49,471
Distribution costs		(51,693)	(628)	(52,321)	(38,222)	(7,726)	(45,948)
Administrative expenses		(12,579)	144	(12,435)	(17,614)	(3,017)	(20,631)
Other operating income/(expense)	4	17,078	(1,023)	16,055	13,942	333	14,275
Cost of disposal of operations		-	(5,824)	(5,824)	-	(39,016)	(39,016)

The notes on pages 19 to 54 form an integral part of these financial statements.

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 Continuing operations £ 000	2021 Discontinued operations £ 000	2021 Total £ 000	2020 Continuing operations £ 000	2020 Discontinued operations £ 000	2020 Total £ 000
Operating profit/(loss)	6	18,970	(8,894)	10,076	15,431	(57,280)	(41,849)
Income from shares in group undertakings	10	-	-	-	4,634	-	4,634
Other interest receivable and similar income	7	19	-	19	143	-	143
Interest payable and similar charges	8	(905)	-	(905)	(2,232)	-	(2,232)
Other finance income	9	566	-	566	981	-	981
Amounts written off investments	17	-	-	-	(2,008)	-	(2,008)
(Loss)/profit on disposal of operations		(11,718)	-	(11,718)	48,814	-	48,814
		(12,038)	-	(12,038)	50,332	-	50,332
Profit/(loss) before tax		6,932	(8,894)	(1,962)	65,763	(57,280)	8,483
Taxation	14	(1,740)	-	(1,740)	6,518	491	7,009
Profit/(loss) for the financial year		5,192	(8,894)	(3,702)	72,281	(56,789)	15,492

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.

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021 £ 000	2020 £ 000
(Loss)/profit for the year	(3,702)	15,492
Remeasurement gain/(loss) on defined benefit pension schemes (gross)	129,631	(6,100)
Income tax charge/income on remeasurement loss on defined benefit pension schemes	(32,408)	1,159
Total comprehensive income for the year	93,521	10,551

Balance Sheet as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	15	15,007	16,437
Tangible assets	16	11,827	11,313
		26,834	27,750
Current assets			
Stocks	18	67,802	64,092
Debtors falling due within one year	19	193,818	333,966
Debtors falling due after more than one year	20	9,348	7,397
Cash at bank and in hand	21	-	3
		270,968	405,458
Creditors: Amounts falling due within one year	22	(272,210)	(359,946)
Net current (liabilities)/assets		(1,242)	45,512
Total assets less current liabilities		25,592	73,262
Creditors: Amounts falling due after more than one year	22	(391)	(25,044)
Provisions for liabilities	23	(48,326)	(34,342)
Net (liabilities)/assets excluding pension asset and post-retirement healthcare scheme		(23,125)	13,876
Net pension assets	24	168,427	37,972
Post-retirement healthcare scheme	24	(349)	(416)
Net assets		144,953	51,432
Capital and reserves			
Called up share capital	25	30,750	30,750
Profit and loss account		114,203	20,682
Total equity		144,953	51,432

Approved and authorised by the Board on 28 June 2022 and signed on its behalf by:

....
T Birk
Director

The notes on pages 19 to 54 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	30,750	50,131	80,881
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	30,750	20,682	51,432

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	30,750	20,682	51,432
Loss for the year	-	(3,702)	(3,702)
Other comprehensive income	-	97,223	97,223
Total comprehensive income	-	93,521	93,521
At 31 December 2021	30,750	114,203	144,953

Notes to the Financial Statements for the Year Ended 31 December 2021

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

These financial statements were authorised for issue by the Board on 28 June 2022.

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.

Notes to the Financial Statements for the Year Ended 31 December 2021 (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.

The directors have considered the risk of shortages of products due to any disruption to gas supplies at the manufacturing sites of other BASF group companies, for which BASF plc distribute the products. For the same reasons as above this risk is mitigated by the merchandise distribution agreements.

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 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 2021 (continued)

2 Accounting policies (continued)

Going concern (continued)
Profit and loss before tax, even in a severe but plausible scenario for BASF plc, are forecast to be positive for 2022. The merchandise distribution and contract manufacturing model base case forecast to achieve between £19 million and £20 million EBIT per annum in 2022 and 2023.

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 1.2 million GBP net current liabilities at the end of the current financial period 2021, including an inter-company receivable due from the group under the cash concentration agreement of £12.9 million. As at 31 May 2022 the cash concentration balance was a receivable balance of £13 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 total loans due to BASF Ireland Limited in the amount of 48 million GBP. The company retained a long-term loan of 25 million entered into in 2017 which is due for repayment during 2022, and a short term loan of 23 million GBP.

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.

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.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 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 2021 (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 2021 (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 2021 (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 2021 (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 for the defined benefit plan are recognised in full, in the period in which the occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the Income Statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined
benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in Income statement as other finance revenue or cost.

Notes to the Financial Statements for the Year Ended 31 December 2021 (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 2021 (continued)

3 Segmental analysis

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

	2021 £ 000	2020 £ 000
Sale of goods	873,839	660,163
Royalties received	652	812
Commissions received	94	1,020
	874,585	661,995

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

	2021 £ 000	2020 £ 000
Manufacturing	66,849	92,858
Distribution of chemicals, plastics and related products	742,141	508,990
Sales acting as agent, sale of speciality care chemicals and royalties	65,595	60,147
	874,585	661,995

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

	2021 £ 000	2020 £ 000
UK	716,542	543,879
Europe	125,201	85,362
Rest of world	32,842	32,754
	874,585	661,995

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

4 Other operating income

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

	2021 £ 000	2020 £ 000
Miscellaneous other operating income	348	61
Non trade business recharges	10,685	11,746
Income from non-typical operations	5,022	2,468
	16,055	14,275

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:

	2021 £ 000	2020 £ 000
Gain/loss on disposal of intangible assets	-	(1,998)
Loss from disposals of investments	-	(2,008)
	-	(4,006)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Operating profit/(loss)

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense	1,488	17,811
Amortisation expense	1,430	1,619
Research and development cost	842	1,031
Operating lease expense - property	390	884
Operating lease expense - plant and machinery	130	163
Operating lease expense - other	1,301	1,290
Profit on disposal of property, plant and equipment	(3)	-
Gain from write-downs and reversals of inventories	1,802	1,368

7 Other interest receivable and similar income

	2021 £ 000	2020 £ 000
Other finance income	16	-
Receivable from group undertakings	3	143
	19	143

8 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest on obligations under finance leases and hire purchase contracts	2	3
Gain/(loss) on Foreign exchange	(165)	(211)
Interest payable to group undertakings	1,068	2,441
	905	2,233

9 Other finance (income)/costs

	2021 £ 000	2020 £ 000
Expected return on pension scheme assets	(26,020)	(34,482)
Interest on pension scheme liabilities	25,454	33,500
	(566)	(982)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Income from other fixed asset investments

	2021 £ 000	2020 £ 000
Dividends from Sorex Holdings Limited	-	(2,023)
Dividends from BASF Construction Chemicals Ltd	-	(2,611)
	-	(4,634)

11 Staff costs

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

	2021 £ 000	2020 £ 000
Wages and salaries	30,993	30,326
Social security costs	3,243	3,518
Pension costs, defined contribution scheme	4,675	4,723
Other post-employment benefit costs	78	195
	38,989	38,762

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Staff costs (continued)

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

	2021 No.	2020 No.
Production	144	186
Sales, marketing, distribution, research and administration	354	357
	498	543

12 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	506	618
Contributions paid to money purchase schemes	75	71
	581	689

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Directors' remuneration (continued)

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

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	2	2

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	105	276
Company contributions to money purchase pension schemes	29	-

13 Auditor's remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	360	235

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Taxation

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

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax credit	1,264	(5,574)
UK corporation tax (credit)/expense adjustment to prior periods	(389)	(284)
	875	(5,858)
Foreign tax expense	-	2
Total current income tax expense	875	(5,856)
Deferred taxation		
Arising from origination and reversal of timing differences	1,347	(1,087)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(482)	(66)
Total deferred taxation	865	(1,153)
Tax expense/(receipt) in the profit and loss account	1,740	(7,009)

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
(Loss)/profit before tax	(1,962)	8,483
Corporation tax at standard rate	(373)	1,612
Effect of revenues exempt from taxation	2,225	(9,875)
Effect of expense not deductible in determining taxable profit (tax loss)	450	1,397
Deferred tax expense relating to changes in tax rates or laws	309	220
Decrease in UK and foreign current tax from adjustment for prior periods	(871)	(350)
Tax increase arising from overseas tax suffered/expensed	-	2
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	(15)
Total tax charge/(credit)	1,740	(7,009)

Finance Act 2021 increases the UK tax rate to 25% from 1 April 2023. As it is expected that timing difference 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 BASF plc.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

2021	**Asset £ 000**	**Liability £ 000**
Accelerated capital allowances	3,981	-
Provisions	-	41,557
Retirement Benefit obligations	454	-
Tax losses carried forward	3,780	-
	8,215	41,557

2020	**Asset £ 000**	**Liability £ 000**
Accelerated capital allowances	2,343	-
Provisions	26	-
Retirement Benefit obligations	-	7,136
Tax losses carried forward	3,050	-
	5,419	7,136

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Intangible assets

	Goodwill £ 000	Trademarks, patents and licenses £ 000	Internally generated software development costs £ 000	Total £ 000
Cost or valuation				
At 1 January 2021	80,639	767	-	81,406
Transfers	(98)	-	98	-
Disposals	-	(308)	-	(308)
At 31 December 2021	80,541	459	98	81,098
Amortisation				
At 1 January 2021	64,206	763	-	64,969
Amortisation charge	1,393	4	33	1,430
Amortisation eliminated on disposals	-	(308)	-	(308)
Transfers	(7)	-	7	-
At 31 December 2021	65,592	459	40	66,091
Carrying amount				
At 31 December 2021	14,949	-	58	15,007
At 31 December 2020	16,433	4	-	16,437

The aggregate amount of research and development expenditure recognised as an expense during the period is £841,561 (2020 - £1,031,525).

Notes to the Financial Statements for the Year Ended 31 December 2021 (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 2021	12,353	17,921	1,143	65,619	97,036
Additions	136	247	1,403	280	2,066
Disposals	(1,101)	(188)	-	(2,853)	(4,142)
Transfers	584	169	(887)	134	-
At 31 December 2021	11,972	18,149	1,659	63,180	94,960
Depreciation					
At 1 January 2021	7,109	16,340	-	62,274	85,723
Charge for the year	336	437	-	715	1,488
Eliminated on disposal	(1,101)	(184)	-	(2,793)	(4,078)
At 31 December 2021	6,344	16,593	-	60,196	83,133

Notes to the Financial Statements for the Year Ended 31 December 2021 (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 2021	5,628	1,556	1,659	2,984	11,827
At 31 December 2020	5,244	1,581	1,143	3,345	11,313

Included within the net book value of land and buildings above is £5,626,923 (2020 - £5,243,133) in respect of freehold land and buildings.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

17 Investments in subsidiaries, joint ventures and associates

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 2021	2020
Subsidiary undertakings				
Nunhems UK Limited	400 South Oak Way, Reading, RG2 6AD England	Ordinary	100%	100%

Subsidiary undertakings

Nunhems UK Limited

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

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

18 Stocks

	2021 £ 000	2020 £ 000
Raw materials and consumables	4,911	4,922
Merchandise	56,802	55,007
Production supplies	2	-
Finished goods and goods for resale	6,087	4,163
	67,802	64,092

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £811,135,000 (2020: £612,524,000). The write-down of stocks to net realisable value and aged stock provision amounted to a gain of £1,802,147 (2020: gain £1,367,747), and have reduced gross stocks to the carrying amount above.

19 Debtors falling due within one year

	Note	2021 £ 000	2020 £ 000
Trade debtors		132,796	122,784
Amounts owed by group undertakings	29	32,536	180,171
Other debtors		2,880	4,321
Prepayments		548	612
Deferred tax assets	14	564	1,321
Corporation tax		24,494	24,757
		193,818	333,966

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

20 Debtors falling due after more than one year

	Note	2021 £ 000	2020 £ 000
Trade debtors		119	-
Other debtors		1,469	2,004
Deferred tax assets	14	7,760	5,393
Total current trade and other debtors		9,348	7,397

21 Cash and cash equivalents

	2021 £ 000	2020 £ 000
Cash at bank	-	3

22 Creditors

	Note	2021 £ 000	2020 £ 000
Due within one year			
Loans and borrowings	26	48,047	150,246
Trade creditors		18,344	11,922
Amounts owed to group undertakings	29	172,171	146,957
Social security and other taxes		1,228	1,162
Other payables		9,957	34,867
Accrued expenses		21,744	14,032
Other current financial liabilities		362	583
Deferred income		357	177
		272,210	359,946
Due after one year			
Loans and borrowings	26	-	25,000
Other non-current financial liabilities		38	44
Trade creditors due after more than one year		353	-
		391	25,044

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

23 Deferred tax and other provisions

	Onerous contracts and plant closure £ 000	Employee benefits £ 000	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 January 2021	22,255	134	7,136	4,817	34,342
Additional provisions	2,871	5	42,019	120	45,015
Provisions used	(21,790)	(14)	(7,136)	(1,764)	(30,704)
Unused provision reversed	-	-	-	(304)	(304)
Increase (decrease) due to passage of time or unwinding of discount	-	(9)	-	(14)	(23)
At 31 December 2021	3,336	116	42,019	2,855	48,326

Other provisions consist of provisions for contaminated sites, environmental measures, restructuring provisions, dilapidation provisions, and on-going employee claims against the company.

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 £4,675,057 (2020 - £4,723,086).

Notes to the Financial Statements for the Year Ended 31 December 2021 (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.

Assets principally consist of equity, debt and derivative instruments classified as level 1 / level 2 financial assets, which are quoted / not quoted on an active market, shown by category in the tables below. The total assets include assets amounting to £151.4m (2020 - £157.7m) classified as level 3 financial assets, these are considered to be the least liquid and hardest to value, and are therefore subject to a higher degree of estimation.

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 interpretation of the company's Trust Deed and Rules is that the company would potentially be entitled to a refund of surplus on wind-up. Therefore, the surpluses at the 2020 and 2021 year ends have been recognised in full.

The weighted average duration of the scheme is 16.2 years (17.5 years for the BPP section and 14.1 years for the Group section). This weighted average duration for the scheme as a whole has been used to determine the financial assumptions.

For the discount rate the company has changed the criterion for the bonds yields to be included in the model. Previously bonds with yields more than +/-2 standard deviations from the company’s calculated regression line were excluded. This year the company has extended that to 3 standard deviations, which includes a greater range of yields into the calculation. This means the total DBO of the two sections would be £25.5 million GBP higher (BPP Section increase of 17.7 million GBP and Group section increase of 7.8 million GBP) on a discount rate of 1.9% compared to the 2%.

In March 2021, the CMI released the 2020 iteration of its mortality projections model, which incorporates population data for 2020. Due to the impact of the COVID-19 pandemic, mortality rates over 2020 were around 12% worse (higher) than 2019. Without adjustment (i.e. allowing for the full impact of 2020’s mortality shock), the CMI 2020 model would predict life expectancies at age 65 that are around 5% lower for males and around 3% lower for females. Given the considerable uncertainty about the impact of the 2020 experience on mortality improvements in the near term, the CMI have allowed users to choose the weight they wish to place on data from individual years. For the 2020 model, the CMI have set the core weighting on 2020 experience to be 0% (i.e. no allowance is made 2020 for experience data). We consider it too early to tell what the future impact on mortality will be with contrasting views of both higher and lower future improvements, therefore we have adopted the core weighting of 0% on 2020 experience. Any allowance being given for 2020 mortality experience would result in a decrease to the DBO of the Scheme. We will revisit this assumption next year.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Pension and other schemes (continued)

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 31 December 2020 valuation was completed on 18 February 2022.

The date of the most recent comprehensive actuarial valuation was 31 December 2020. The valuation was carried out for funding purposes. For the Group Section, calculations are based on an update of full liability calculations as at 31 December 2020, based on the membership data being used for the formal actuarial valuation at that date, thereby introducing an element of approximation relative to the results of a hypothetical full actuarial valuation for FRS102 purposes at the measurement date. The beginning of year liabilities were based on an update of full liability calculations as at 31 December 2017.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	635,911	649,067
Present value of defined benefit obligation	(565,870)	(607,234)
Defined benefit pension scheme surplus	70,041	41,833

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2021 £ 000	2020 £ 000
Present value at start of year	607,234	566,488
Past service cost (see Profit and Loss Account Guaranteed Minimum Pension Guarantee)	-	763
Interest cost	8,907	11,635
Remeasurement: actuarial (gains)/losses	(23,464)	56,533
Benefits paid	(26,807)	(28,185)
Present value at end of year	565,870	607,234

Fair value of scheme assets

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Pension and other schemes (continued)

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

	2021 £ 000	2020 £ 000
Fair value at start of year	649,067	604,378
Interest income	9,534	12,426
Return on plan assets, excluding amounts included in interest income	4,117	60,448
Benefits paid	(26,807)	(28,185)
Fair value at end of year	635,911	649,067

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Debt instruments	632,097	558,198
Other	-	34,400
Equity instruments	3,814	56,469
	635,911	649,067

Return on scheme assets

	2021 £ 000	2020 £ 000
Return on scheme assets	13,651	72,874

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:

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Pension and other schemes (continued)

	2021 %	2020 %
Discount rate	2.00	1.50
Future salary increases	4.20	3.80
Future pension increases for deferred benefits	2.90	2.50
Future pension increases RPI-linked	.80	.80
pension increases LPI 5%	3.50	3.10
pension increases LPI 2.5%	2.20	2.10

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	24.10	24.00
Future UK pensioners at retirement age - male	22.90	23.00
Future UK pensioners at retirement age - female	25.20	25.10

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. It was agreed after the 31 December 2017 valuation was concluded that no further contributions would be made. The 31 December 2020 valuation was completed on 18 February 2022.

The date of the most recent comprehensive actuarial valuation was 31 December 2020. The valuation was carried out for funding purposes. The calculations are based on an update of full liability calculations as at 31December 2020,based on the membership data being used for the formal actuarial valuation at that date, thereby introducing an element of approximation relative to the results of a hypothetical full actuarial valuation for FRS102 purposes at the measurement date. The beginning of the year liabilities were based on an update of full liability calculations as at 31 December 2017.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	1,135,046	1,118,345
Present value of defined benefit obligation	(1,035,661)	(1,120,926)
Defined benefit pension scheme surplus/(deficit)	99,385	(2,581)

Defined benefit obligation

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Pension and other schemes (continued)

Changes in the defined benefit obligation are as follows:

	2021 £ 000	2020 £ 000
Present value at start of year	1,120,926	1,002,811
Interest cost	16,524	21,178
Remeasurement: actuarial (gains)/losses	(63,145)	141,183
Benefits paid	(38,644)	(44,546)
Effect of curtailments	-	300
Present value at end of year	1,035,661	1,120,926

Fair value of scheme assets

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

	2021 £ 000	2020 £ 000
Fair value at start of year	1,118,345	1,010,225
Interest income	16,486	21,404
Return on plan assets, excluding amounts included in interest income	38,859	131,262
Benefits paid	(38,644)	(44,546)
Fair value at end of year	1,135,046	1,118,345

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Equity instruments	158,673	280,705
Debt instruments	969,573	696,729
Other	6,800	140,911
	1,135,046	1,118,345

Return on scheme assets

	2021 £ 000	2020 £ 000
Return on scheme assets	55,345	152,666

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:

	2021 %	2020 %
Discount rate	2.00	1.50
Future salary increases	3.50	3.10
Future pension increases for deferred benefits	3.70	3.30
Future pension increases RPI-linked	2.90	2.50
pension increases LPI 5%	3.50	3.10
pension increases LPI 2.5%	2.20	2.10

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Pension and other schemes (continued)

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	21.60	21.60
Current UK pensioners at retirement age - female	23.70	23.60
Future UK pensioners at retirement age - male	22.50	22.60
Future UK pensioners at retirement age - female	24.80	24.80

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:

	2021 £ 000	2020 £ 000
Present value of defined benefit obligation	(1,001)	(1,280)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2021 £ 000	2020 £ 000
Present value at start of year	1,280	1,196
Interest cost	17	26
Remeasurement: actuarial (gains)/losses	(18)	58
Benefits paid	(278)	-
Present value at end of year	1,001	1,280

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Pension and other schemes (continued)

Principal actuarial assumptions

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

	2021 %	2020 %
Discount rate	2.00	1.50
Inflation	3.70	3.30
Future pension increases RPI-linked	3.50	3.10

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:

	2021 £ 000	2020 £ 000
	(349)	(416)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2021 £ 000	2020 £ 000
Present value at start of year	416	413
Interest cost	6	9
Actuarial gains and losses	(26)	36
Benefits paid	(47)	(42)
Present value at end of year	349	416

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Pension and other schemes (continued)

Principal actuarial assumptions

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

	2021 %	2020 %
Discount rate	2.00	1.50
Initial medical trend	6.20	5.80
Ultimate medical trend	6.20	5.80

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	24.00	24.00

25 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	30,750	30,750	30,750	30,750

26 Loans and borrowings

	2021 £ 000	2020 £ 000
Non-current loans and borrowings		
Loans from other group undertakings	-	25,000

	2021 £ 000	2020 £ 000
Current loans and borrowings		
HP and finance lease liabilities	47	60
Loans from other group undertaking	48,000	150,186
	48,047	150,246

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

26 Loans and borrowings (continued)

Current loans and borrowings owed to group undertakings comprises of a short term loan of £23,000,000 that was entered into on 23 December 2021, and has a maturity date of 24 January 2022. The interest rate on the loan at the year end was charged at 0.6% (2020: 1.0%), and an existing loan of £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 1.38% (2020: 1.31%). 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.

27 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	1,955	1,442
Later than one year and not later than five years	3,925	2,680
Later than five years	2,456	3,585
	8,336	7,707

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,782,000 (2020 - £2,359,000).

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.

Notes to the Financial Statements for the Year Ended 31 December 2021 (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 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.