

Chemetall Limited

Strategic Report, Directors' report and Financial Statements

Registered Number 252864

for the Year Ended 31 December 2020

Contents

Strategic Report	1
Directors' Report	4
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	5
Independent Auditor's Report to the members of Chemetall Limited	6
Profit and Loss Account	10
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Strategic Report for the Year Ended 31 December 2020

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

Principal activity

The principal activity of the company is the marketing and sales of specialised industrial chemicals. The company has concentrated on maintaining sales and service to our existing customers and whenever possible increased business in our traditional sectors by opening new accounts. The company has continued the tight control over all operating costs.

Fair review of the business

During the year the company generated a profit before tax of £404,000 (2019: £3,769,000).

The company also has a branch outside UK in United Arab Emirates.

Key performance indicators

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

	Unit	2020	2019
Sales	£'000	22,575	31,118
Days Sales Outstanding (DSO)	days	74	83
Inventory Days	days	105	54

Gross margin is closely measured as an indicator of the company's performance. The gross margin in the current financial period is 40.9% (2019: 41.3%)

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 and shareholders.

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.

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

Communities

We are committed to creating sustainable, long-term opportunities in our communities, additionally aiming to become an employer of choice. In the Corporate Citizenship area (not-for-profit activities), BASF pursues 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.

Shareholders

The Directors regularly engage with our parent company as sole shareholder and feedback matters discussed to senior management.

Social and community issues

The BASF Group has continued to lead in the thinking around circularity in the economy which is so much more than simple resource management. The aim is to close cycles and use products and resources in the best way possible across the entire value chain. This understanding is appearing more across politics, industry and society over the last years working to change away from the linear model of "take-make-dispose" to a system of closed loops powered by renewable energy.

Environmental matters

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

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

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. The company has invested in a new site with careful collaboration and involvement of employees in the design and implementation process in order to improve the working environment and meet the needs of its employees.

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

Engagement with suppliers, customers and other relationships

We are committed to enhancing the customer experience by acknowledging customer feedback within 48 hours and following up within 20 business days. We use Net Promoter Score® (NPS®) to measure our customers' experience of the company and this provides a way to collect feedback in real time. We operate a complaints system where all complaints are reviewed with the Senior Management Team. 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 Chemetall 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.

Performance for 2021

The company continued to concentrate on expanding its business in growth markets as well as on increasing efficiency and cost control. The company saw a reduction in sales in 2021, mainly due to the transfer of the aerospace business with Airbus to another group company Chemetall GmbH. A decision was taken to centralise the sales operation and management of this sector centrally, reducing turnover by £1,977,000 compared to 2020. The overall remaining turnover was stable across the periods.

Risks and uncertainties

The company operates in a competitive market place where growth is achieved by developing new income streams through offering new technologies, and by winning new customers.

The impact of COVID-19 during 2020 and 2021 had adverse effects on the operations and financial position of the business. Chemetall Ltd has seen a decrease in sales and profitability in the period, but implemented cost savings throughout the company and by engaging in the government furlough scheme.

Approved by the Board on 6 May 2022 and signed on its behalf by:



.....
W M Brown
Director

Directors' Report for the Year Ended 31 December 2020

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

Proposed dividend

No dividends were paid during the current or previous financial years. The directors do not recommend the payment of a final dividend.

Political donations

The Company made no political donations or incurred any political expenditure during the year.

Directors of the company

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

W M Brown

C Hoffmann

U Neidlein (appointed 1 July 2020)

The following director was appointed after the year end:

N Gruber (appointed 31 March 2021)

Disclosure of information to the auditor

Each director 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 auditors are 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 auditors are aware of that information.

Reappointment of auditor

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

Approved by the Board on 6 May 2022 and signed on its behalf by:



.....
W M Brown
Director

Napier House
Auckland Park
Bletchley
Milton Keynes
Buckinghamshire
MK1 1BU
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 they 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 estimates that are reasonable and prudent;
- 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.

Independent Auditor's Report to the Members of Chemetall Limited

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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 Chemetall 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 as to the Company’s high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.*
- Reading Board meeting minutes.*
- Considering remuneration incentive schemes and performance targets.*
- 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 is overstated through recording revenues in the wrong period.*

We did not identify any additional fraud risks.

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 discussed with the directors 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 and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management 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.

Independent Auditor's Report to the Members of Chemetall Limited (continued)

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

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

Independent Auditor's Report to the Members of Chemetall Limited (continued)

Auditor's responsibilities

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

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

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

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



.....
Andrew Reddington (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 St Peter's Square
Manchester
M2 3AE

6 May 2022

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	22,575	31,118
Cost of sales		<u>(13,350)</u>	<u>(18,255)</u>
Gross profit		9,225	12,863
Distribution costs		(5,994)	(6,999)
Administrative expenses		(2,816)	(2,279)
Other operating income	4	<u>11</u>	<u>-</u>
Operating profit	5	426	3,585
Other interest receivable and similar income	6	131	654
Interest payable and similar charges	7	-	(157)
Other finance income		<u>(153)</u>	<u>(313)</u>
Profit before tax		404	3,769
Tax on profit	12	<u>887</u>	<u>(270)</u>
Profit for the financial year		<u><u>1,291</u></u>	<u><u>3,499</u></u>

The above results were derived from continuing operations.


Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Profit for the year		1,291	3,499
Foreign currency translation (losses)		(884)	(87)
Remeasurement (loss)/gain on defined benefit pension schemes before tax		(3,188)	2,261
Income tax effect on remeasurement gain/(loss) on defined benefit pension schemes		<u>558</u>	<u>(384)</u>
Total comprehensive income for the year		<u><u>(2,223)</u></u>	<u><u>5,289</u></u>

Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Tangible assets	14	3,338	3,307
Investments	15	<u>4,436</u>	<u>4,436</u>
		<u>7,774</u>	<u>7,743</u>
Current assets			
Stocks	16	2,237	2,316
Debtors falling due within one year	17	110,330	109,941
Debtors falling due after more than one year		2,142	1,591
Cash at bank and in hand	19	<u>771</u>	<u>1,966</u>
		115,480	115,814
Creditors: Amounts falling due within one year	20	<u>(4,715)</u>	<u>(5,050)</u>
Net current assets		<u>110,765</u>	<u>110,764</u>
Total assets less current liabilities		118,539	118,507
Provisions for liabilities	21	<u>(1,616)</u>	<u>(1,635)</u>
Net assets excluding pension asset		116,923	116,872
Net pension liability	22	<u>(9,745)</u>	<u>(7,471)</u>
Net assets		<u>107,178</u>	<u>109,401</u>
Capital and reserves			
Called up share capital	23	6,889	6,889
Share premium reserve		29,758	29,758
Profit and loss account		<u>70,531</u>	<u>72,754</u>
Total equity		<u>107,178</u>	<u>109,401</u>

Approved and authorised by the Board on 6 May 2022 and signed on its behalf by:



W M Brown
 Director

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

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	6,889	29,758	67,465	104,112
Profit for the year	-	-	3,499	3,499
Other comprehensive income	-	-	1,790	1,790
Total comprehensive income	-	-	5,289	5,289
At 31 December 2019	<u>6,889</u>	<u>29,758</u>	<u>72,754</u>	<u>109,401</u>
	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	6,889	29,758	72,754	109,401
Profit for the year	-	-	1,291	1,291
Other comprehensive income	-	-	(3,514)	(3,514)
Total comprehensive income	-	-	(2,223)	(2,223)
At 31 December 2020	<u>6,889</u>	<u>29,758</u>	<u>70,531</u>	<u>107,178</u>

The notes on pages 14 to 38 form an integral part of these financial statements.

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

1 General information

The company is a private company limited by share capital, incorporated in England. The company's registered office is Napier House, Auckland Park, Bletchley, Milton Keynes, Buckinghamshire, MK1 1BU.

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:

- 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 2020 (continued)

2 Accounting policies (continued)

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 reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

The global economic environment, and in particular global pandemic, continue to drive uncertainty with high levels of volatility in exchange and commodity markets and with international trading agreements potentially subject to significant change. Management continue to monitor the potential implications of geopolitical change on our trading and financing environment and to take short-term measures to ensure we have access to adequate stock levels in the UK.

Despite a turbulent business environment during the pandemic, the company has proven it has the necessary tools at hand to manage its profitability. Management strongly believes that in the coming year, the company can capitalise on the business opportunities by delivering growth in sales and profitability.

In the severe but plausible downside scenario management have modelled a revenue reduction in line with that experienced between FY19 and FY20 to mirror the impact felt at the height of the COVID-19 pandemic. In addition this has been coupled with a 7% increase in the fixed cost base to factor in the current inflationary pressures on prices. As part of the BASF Group, even in a severe but plausible scenario the company can achieve a positive gross margin via a reduction in inter-company transfer price of products purchased, in the case of the merchandise distribution model. Under this scenario the company would continue to be profitable and generate positive cashflows.

In the unlikely event of worsening market conditions beyond the severe but plausible downside scenario, the company's strong cash position, with in excess of £100m held within intercompany cash pooling arrangements, gives the ability to cover numerous years of fixed costs without cashflow issues.

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.

Exemption from preparing group accounts

The financial statements contain information about Chemetall Limited 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.

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

2 Accounting policies (continued)

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.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in other comprehensive income.

Tax

The tax expense 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation rate
Assets under construction	0% per annum
Leasehold improvements	life of lease
Plant and machinery	10% - 50.0% per annum
Fixtures and equipment	20% per annum

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

2 Accounting policies (continued)

Intangible assets

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

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

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, over their useful life as follows:

Asset class	Amortisation rate
Software	3 - 15 years
Patents and trademarks	20 years
Intellectual property	20 years
Customer relationships	Length of the contract

Patents and trademarks are initially recognised at cost and then amortised in line with the stated life of the respective assets, between 1 and 20 years.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

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.

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

2 Accounting policies (continued)

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.

Stocks

Stock is stated at the lower of cost, including appropriate overheads, and net realisable value. Provisions are made against excess and obsolete stocks.

Trade creditors

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

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

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.

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.

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

2 Accounting policies (continued)

Defined benefit pension obligation

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

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

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

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.

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.

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;
- specific criteria have been met for each of the company's activities.

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

3 Segmental analysis

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

	2020	2019
	£ 000	£ 000
Sale of goods	<u>22,575</u>	<u>31,118</u>

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

	2020	2019
	£ 000	£ 000
Distribution of chemicals, plastics and related products	<u>22,575</u>	<u>31,118</u>

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

	2020	2019
	£ 000	£ 000
UK	15,641	22,247
Europe	1,349	1,790
Rest of world	<u>5,585</u>	<u>7,081</u>
	<u>22,575</u>	<u>31,118</u>

4 Other operating income

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

Miscellaneous other operating income	<u>11</u>
--------------------------------------	-----------

Included in the miscellaneous income is a Research and Development HMRC refund of £11,398 (2019 £0).

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

5 Operating profit

Arrived at after charging

	2020	2019
	£ 000	£ 000
Depreciation expense	283	167
Amortisation expense	-	8
Operating lease expense - property	460	530
Operating lease expense - other	142	142
	<u>142</u>	<u>142</u>

6 Other interest receivable and similar income

	2020	2019
	£ 000	£ 000
Interest income on bank deposits	1	1
Receivable from group undertakings	130	653
	<u>131</u>	<u>654</u>

7 Interest payable and similar charges

	2020	2019
	£ 000	£ 000
Foreign exchange	-	153
Interest payable to group undertakings	-	4
	<u>-</u>	<u>157</u>

8 Other finance costs

	2020	2019
	£ 000	£ 000
Interest on pension scheme liabilities	153	313
	<u>153</u>	<u>313</u>

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

9 Staff costs

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

	2020	2019
	£ 000	£ 000
Wages and salaries	3,123	2,988
Social security costs	289	322
Contributions to defined contribution plans	500	418
Contributions to defined benefit plans	329	234
	<u>4,241</u>	<u>3,962</u>

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

	2020	2019
	No.	No.
Administration and support	8	8
Sales, marketing, distribution, research and administration	50	53
	<u>58</u>	<u>61</u>

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£ 000	£ 000
Remuneration	144	164
Contributions paid to money purchase schemes	34	37
	<u>178</u>	<u>201</u>

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

	2020	2019
	No.	No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

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

10 Directors' remuneration (continued)

In respect of the highest paid director:

	2020	2019
	£ 000	£ 000
Remuneration	144	164
Company contributions to money purchase pension schemes	34	37
	<u>178</u>	<u>201</u>

11 Auditor's remuneration

	2020	2019
	£ 000	£ 000
Audit of the financial statements	88	80
	<u>88</u>	<u>80</u>

12 Taxation

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

	2020	2019
	£ 000	£ 000
Current taxation		
UK corporation tax	(335)	3
Deferred taxation		
Arising from origination and reversal of timing differences	(552)	267
Tax (receipt)/expense in the profit and loss account	<u>(887)</u>	<u>270</u>

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

12 Taxation (continued)

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

The differences are reconciled below:

	2020	2019
	£ 000	£ 000
Profit before tax	<u>404</u>	<u>3,769</u>
Corporation tax at standard rate	77	716
Effect of revenues exempt from taxation	(540)	(359)
Effect of expense not deductible in determining taxable profit (tax loss)	(1)	5
Tax (decrease)/increase from effect of capital allowances and depreciation	(11)	12
Tax decrease from changes in pension fund prepayment	(408)	(29)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(4)</u>	<u>(75)</u>
Total tax (credit)/charge	<u>(887)</u>	<u>270</u>

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current rate of 19% and not reduce to 17% from 1 April 2020. This will increase the company's future current tax charge accordingly. Deferred tax is provided at a rate of 19% as this was the rate substantively enacted at the balance sheet date.

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

12 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000
2020	
Accelerated capital allowances	(16)
Provisions	307
Retirement Benefit obligations	1,852
Tax losses carried forward	-
Short term timing differences	-
	2,143
2019	
Accelerated capital allowances	43
Provisions	278
Retirement Benefit obligations	1,270
Tax losses carried forward	-
Short term timing differences	-
	1,591

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

13 Intangible assets

	Patents and trademarks £ 000	Customer relationships £ 000	Software £ 000	Intellectual property £ 000	Total £ 000
Cost or valuation					
At 1 January 2020	323	842	114	1,800	3,079
Disposals	(323)	-	(114)	-	(437)
At 31 December 2020	-	842	-	1,800	2,642
Amortisation					
At 1 January 2020	323	842	114	1,800	3,079
Amortisation eliminated on disposals	(323)	-	(114)	-	(437)
At 31 December 2020	-	842	-	1,800	2,642
Net book value					
At 31 December 2020	-	-	-	-	-
At 31 December 2019	-	-	-	-	-

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

14 Tangible assets

	Leasehold improvements £ 000	Fixtures and equipment £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation				
At 1 January 2020	4,418	954	166	5,538
Additions	40	273	-	313
Disposals	(1,429)	(386)	-	(1,815)
Transfers	67	99	(166)	-
At 31 December 2020	<u>3,096</u>	<u>940</u>	<u>-</u>	<u>4,036</u>
Depreciation				
At 1 January 2020	1,619	611	-	2,230
Charge for the year	182	101	-	283
Eliminated on disposal	(1,429)	(386)	-	(1,815)
At 31 December 2020	<u>372</u>	<u>326</u>	<u>-</u>	<u>698</u>
Net book value				
At 31 December 2020	<u>2,724</u>	<u>614</u>	<u>-</u>	<u>3,338</u>
At 31 December 2019	<u>2,799</u>	<u>342</u>	<u>166</u>	<u>3,307</u>

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

15 Investments in subsidiaries, joint ventures and associates

	2020	2019
	£ 000	£ 000
Investments in subsidiaries	4,436	4,436

There is no change to the valuation of the investment in the current year after assessment of the fair value against the carrying value.

Details of undertakings

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

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
A M Craig Limited	Napier House, Auckland Park, Bletchley, Milton Keynes, MK1 1BU England	Ordinary	100%	100%
Ardrox Limited	Napier House, Auckland Park, Bletchley, Milton Keynes, MK1 1BU England	Ordinary	100%	100%
Brent Manufacturing Co. Limited	Napier House, Auckland Park, Bletchley, Milton Keynes, MK1 1BU England	Ordinary	100%	100%
Chemserve Ltd	Napier House, Auckland Park, Bletchley, Milton Keynes, MK1 1BU United Kingdom	Ordinary	100%	100%

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

16 Stocks

	2020	2019
	£ 000	£ 000
Finished goods and goods for resale	<u>2,237</u>	<u>2,316</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £11,665,000 (2019 : £16,3289,000). The write-down of stocks to net realisable value and aged stock provision amounts to a loss of £60,981 (2019 : gain £7,268), and have reduced gross stocks to the carrying amount above.

17 Debtors falling due within one year

	Note	2020	2019
		£ 000	£ 000
Trade debtors		3,840	6,323
Amounts owed by group undertakings	25	104,984	102,301
Prepayments		318	474
Corporation tax	12	<u>1,188</u>	<u>843</u>
Total current trade and other debtors		<u>110,330</u>	<u>109,941</u>

18 Debtors falling due after more than one year

	Note	2020	2019
		£ 000	£ 000
Deferred tax assets	12	<u>2,142</u>	<u>1,591</u>

19 Cash and cash equivalents

	2020	2019
	£ 000	£ 000
Cash on hand	1	3
Cash at bank	<u>770</u>	<u>1,963</u>
	<u>771</u>	<u>1,966</u>

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

20 Creditors

	Note	2020 £ 000	2019 £ 000
Due within one year			
Trade creditors		896	1,608
Amounts owed to group undertakings	25	2,074	2,041
Other payables		775	409
Accrued expenses		970	992
		<u>4,715</u>	<u>5,050</u>

21 Provisions

	Vacant property provision £ 000	Other provisions £ 000	Total £ 000
At 1 January 2020	1,376	259	1,635
Increase (decrease) in existing provisions	<u>-</u>	<u>(19)</u>	<u>(19)</u>
At 31 December 2020	<u>1,376</u>	<u>240</u>	<u>1,616</u>

The vacant property provision represents management's estimate of the group's liability to take account of the residual lease commitments relating to dilapidations.

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

22 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 £500,418 (2019 - £417,462).

The Chemetall pension scheme includes two sections, the Chemetall UK Pension Scheme section and the Chemetall Limited sub section of the BASF UK Group Pension Scheme.

Defined benefit pension schemes

Chemetall UK Pension Scheme

The company operated a funded defined benefit scheme (the Chemetall UK Pension Scheme) which provided for their liabilities through trustee operated funds. As of December 2020, the Chemetall UK Pension Scheme transferred nearly its entire assets and liabilities into the Chemetall Ltd sub section of the BASF UK Group Pension Scheme. The remaining element is detailed in the Chemetall UK Pension Scheme section.

The assets of the Scheme are held separately from those of the company in a trustee administered fund. The trustees comprise senior group employees and retired members. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the Scheme employees are entitled to annual pensions on retirement and the level of benefits provided depends on members' length of service and their salary at the time they leave the Scheme. Benefits are also payable on death and following other events such as withdrawing from active service. The company does not have any health and medical plans providing post-retirement benefits.

The pension costs relating to the Scheme are assessed in accordance with the advice of Aon Consulting Limited, the independent actuaries, using the projected unit method. The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 16 years.

The date of the most recent comprehensive actuarial valuation was 31 March 2019.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2020	2019
	£ 000	£ 000
Fair value of scheme assets	1,454	41,813
Present value of defined benefit obligation	<u>(1,100)</u>	<u>(49,284)</u>
Defined benefit pension scheme surplus/(deficit)	<u>354</u>	<u>(7,471)</u>

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

22 Pension and other schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020	2019
	£ 000	£ 000
Present value at start of year	49,284	48,779
Current service cost	329	263
Interest cost	980	1,402
Remeasurement: actuarial (losses)/gains	3,791	1,778
Benefits Paid	(2,131)	(2,822)
Contributions by scheme participants	116	(116)
Transfer to Chemetall Ltd sub section of BASF UK Group Pension Scheme	(51,269)	-
Present value at end of year	<u>1,100</u>	<u>49,284</u>

Fair value of scheme assets

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

	2020	2019
	£ 000	£ 000
Fair value at start of year	41,813	37,555
Interest income	838	1,089
Remeasurement: actuarial (losses)/gains	1,445	4,039
Employer contributions	1,396	2,068
Contributions by scheme participants	116	(116)
Benefits paid	(1,802)	(2,559)
Administration expenses	(329)	(263)
Transfer to Chemetall Ltd sub section of BASF UK Group Pension Scheme	(42,023)	-
Fair value at end of year	<u>1,454</u>	<u>41,813</u>

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

22 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2020	2019
	£ 000	£ 000
Equity instruments	-	21,002
Gilts	-	9,197
Property	-	1,932
Bonds	-	8,545
Other	1,454	1,137
	<u>1,454</u>	<u>41,813</u>

Return on scheme assets

	2020	2019
	£ 000	£ 000
Return on scheme assets	<u>2,283</u>	<u>5,128</u>

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

Principal actuarial assumptions

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

	2020	2019
	%	%
Discount rate	1.50	2.20
Future salary increases	2.50	2.30
Future pension increases RPI linked	3.00	3.00
Future pension increases CPI linked	2.50	2.30
pension increases CPI to a maximum of 5%	2.50	2.30
pension increases CPI to a maximum of 3%	2.20	2.00
pension increases CPI to a maximum of 2.5%	<u>2.00</u>	<u>1.80</u>

Post retirement mortality assumptions

	2020	2019
	Years	Years
Current UK pensioners at retirement age - male	21.60	21.50
Future UK pensioners at retirement age - male	23.50	23.40
Current UK pensioners at retirement age - female	22.90	22.80
Future UK pensioners at retirement age - female	<u>25.10</u>	<u>24.90</u>

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

22 Pension and other schemes (continued)

Chemetall Ltd sub section of the BASF UK Group Pension Scheme

The company operated a funded defined benefit scheme (the Chemetall UK Pension Scheme) which provided for their liabilities through trustee operated funds. As of December 2020, the Chemetall UK Pension Scheme transferred nearly its entire assets and liabilities into the Chemetall Ltd sub section of the BASF UK Group Pension Scheme. The remaining element is detailed in the Chemetall UK Pension Scheme section.

The assets of the Scheme are held separately from those of the company in a trustee administered fund. The trustees comprise senior group employees and retired members. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the Scheme employees are entitled to annual pensions on retirement and the level of benefits provided depends on members' length of service and their salary at the time they leave the Scheme. Benefits are also payable on death and following other events such as withdrawing from active service. The company does not have any health and medical plans providing post-retirement benefits.

The pension costs relating to the Scheme are assessed in accordance with the advice of Aon Consulting Limited, the independent actuaries, using the projected unit method. The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 16 years.

The date of the most recent comprehensive actuarial valuation was 31 March 2019.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2020 £ 000	2019 £ 000
Fair value of scheme assets	42,989	-
Present value of defined benefit obligation	(53,088)	-
Defined benefit pension scheme deficit	<u>(10,099)</u>	<u>-</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020 £ 000	2019 £ 000
Present value at start of year	-	-
Interest cost	89	-
Remeasurement: actuarial gain	1,871	-
Benefits Paid	(141)	-
Transfer from Chemetall UK Pension Scheme	51,269	-
Present value at end of year	<u>53,088</u>	<u>-</u>

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

22 Pension and other schemes (continued)

Fair value of scheme assets

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

	2020	2019
	£ 000	£ 000
Present Value at start of year	-	-
Interest income	78	-
Remeasurement:actuarial gain	1,029	-
Benefits Paid	(141)	-
Transfer from Chemetall UK Pension Scheme	42,023	-
Fair value at end of year	<u>42,989</u>	<u>-</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2020	2019
	£ 000	£ 000
Equity instruments	21,910	-
Gilts	9,959	-
Property	1,868	-
Bonds	9,078	-
Other	174	-
	<u>42,989</u>	<u>-</u>

Return on scheme assets

	2020	2019
	£ 000	£ 000
Return on scheme assets	<u>1,107</u>	<u>-</u>

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

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

22 Pension and other schemes (continued)

Principal actuarial assumptions

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

	2020	2019
	%	%
Discount rate	1.50	2.20
Future salary increases	2.50	2.30
Future pension increases RPI linked	3.00	3.00
Future pension increases CPI linked	2.50	2.30
pension increases CPI to a maximum of 5%	2.50	2.30
pension increases CPI to a maximum of 3%	2.20	2.00
pension increases CPI to a maximum of 2.5%	<u>2.00</u>	<u>1.80</u>

Post retirement mortality assumptions

	2020	2019
	Years	Years
Current UK pensioners at retirement age - male	21.60	21.50
Current UK pensioners at retirement age - female	22.90	22.80
Future UK pensioners at retirement age - male	23.50	23.40
Future UK pensioners at retirement age - female	<u>25.10</u>	<u>24.90</u>

23 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£ 000	No.	£ 000
68,888,713 ordinary shares of £0.10 each	<u>68,888,713</u>	<u>6,889</u>	<u>68,888,713</u>	<u>6,889</u>

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

24 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	479	541
Later than one year and not later than five years	847	862
Later than five years	1,260	1,440
	<u>2,586</u>	<u>2,843</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £602,050 (2019 - £671,591).

25 Related party transactions

Transactions with directors

	At 1	At 31
	January	December
	2020	2020
	£ 000	£ 000
2020		
W M Brown		
Director's loan	<u>3</u>	<u>3</u>
	At 1	At 31
	January	December
	2019	2019
	£ 000	£ 000
2019		
W M Brown		
Director's loan	<u>3</u>	<u>3</u>

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.

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

26 Parent and ultimate parent undertaking

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.