BASF plc

Directors' Report and Financial Statements

Registered Number 667980

for the Year Ended 31 December 2019

Contents

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activity

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

Fair review of the business

Performance

The company made an operating profit of £248,000 (2018: loss £40,754,000). The operating loss at the Bradford site, producing mainly paper and water chemicals was £10,157,000 (2018: loss £28,483,000). The loss in the current period was predominantly in January 2019 which was the last full month of trading before the divestiture of the paper and water chemical business on 31 January 2019 to Solenis.

Turnover decreased compared to the prior year to £474,945,000 (2018: £689,828,000). Discontinued operations relate to the sale of the paper and water chemical business to Solenis represented £135,431,000 of the reduction in sales. Discontinued business in 2019 was £44, 093,000 (2018: £179,524,000). The sales and distribution segment , the largest of which are agriculture and construction chemicals achieved turnover at a similar level to the prior year. Turnover at the Seal Sands site decreased to £96,267,000 (2018: £139,146,000) as a result of operational issues at the site operated by Ineos Nitriles (UK) Ltd.

The company has three segments:

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

• sales and distribution of agriculture products, industrial coatings, polyurethanes systems and pesticide products;

• manufacture of hexamethylenediamine, construction chemicals, industrial and coil coatings, polyurethanes systems, rodenticides, pigments, care chemicals, and oilfield and mining products;

The first segment, turnover generated from acting as an agent, came from commission received from BASF Societas Europaea and BTC Europe GmbH. Total commission revenue received was £14,991,000 (2018: £16,563,000). The remaining turnover in this segment is made up of sales of speciality products sourced on behalf of BASF Societas Europaea relating to care chemicals business of £594,000 (2018: £1,784,000), and royalty revenue of £1,165,000 (2018: £2,833,000).

Strategic Report for the Year Ended 31 December 2019 (continued)

Performance (continued)

The second segment, the import and distribution business operates in a mature market. BASF plc already occupies a leading position in terms of market share. To retain this position, new product initiatives are brought to the market on a regular bases. Total turnover for this segment for the period was £223,576,000 (2018: £220,687,000).

The third segment turnover of manufactured products was £234,619,000 (2018: £447,961,000).

Sales to the UK reduced to £265,916,000 (2018: £282,749,000). This is in-line with the reduction in overall demand for chemical products in the UK. Sales decreased to Europe to £151,535,000 (2018: £270,807,000), and sales to the rest of the world decreased to £57,494,000 (2018: £136,272,000). These decreases were mainly due to the paper and water chemical treatment products manufactured in the UK and the operational issues at the Seal Sands site operated by Ineos in the UK. The products of both of these sites are sold to BASF group companies and shipped to Europe and the rest of the world.

Key performance indicators

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

	Unit	2019	2018
Average Days Sales Outstanding (agency business)	days	49.90	41.50
Average Days Sales Outstanding (Merchandise business)	days	83.60	90.20
Selling costs % of net turnover	%	9.07	6.93
Gross Margin	%	11.80	8.90

BASF measures Agency Sales as a key target. Agency Sales comprise business made on behalf of BASF Societas Europaea and includes sales of Chemicals, Performance Products and Plastics. Underlying gross agency sales reduced to £437,489,000 (2018: £531,413,000). The company earns a commission on these agency sales which is included as commission revenue in the profit and loss account.

Selling and agency costs, as a percentage of net sales were 9.07% (2018: 6.93%). The two main areas for selling costs are the agricultural products and construction chemicals segments. The agricultural products segment had selling and agency costs as a percentage of net turnover of 12.96% (2018: 11.67%). The increase is due to lower sales value compared to the previous year . In the construction chemicals segment the selling and agency costs as a percentage of net turnover were 12.97% (2018: 12.75%). The overall increase is due to the sale of the paper and water chemical business to Ineos during the period, that sold mainly to another BASF group company and therefore had low selling costs as compared to sales value.

The average Days Sales Outstanding (DSO) for agency business increased from 41.5 days in 2018 to 49.9 days in 2019. The part of the DSO relating to merchandise business saw an decrease from 90.2 days in 2018 to 83.6 days in 2019 due mainly to the effect of the discontinued operations.

The gross margin on turnover was 11.8% (2018: 8.9%). The increased margin is due to sale of the paper and water chemical business to Ineos during the period which had lower gross margins than the remaining business.

Strategic Report for the Year Ended 31 December 2019 (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 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.

Environment

The company has continued to develop its views and laterally has developed a new method with external experts to perform the first monetary assessment of the economic, ecological, and social impacts of its business activities along the value chain: the "Value to Society" approach. The intention is to measure the value proposition of our actions along the entire value chain, aware that our business activities are connected to both positive and negative impacts on the environment and society. We strive to increase our positive contribution to society and minimize the negative effects of our business activities.

Engagement with employees

Our people are critical to the success of our company, and we are continuing to invest in making the company a better place to work and become an employer of choice. The company has invested in a new head office with careful collaboration and involvement of employees in the design and implementation process in order to improve the working environment and meet the needs of its employees.

Strategic Report for the Year Ended 31 December 2019 (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 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.

Strategic Report for the Year Ended 31 December 2019 (continued)

Social and community issues

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

Throughout the BASF Group, across all regions, divisions, and sites, Global Safety days took place in 2020. The aim was to make successful safety work visible, tangible and to discuss possibilities for networking and improvement. Safety is a core value of BASF and is never compromised on.

Corporate Citizenship

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

Outlook for 2020

For 2020 we still see uncertainty related to the development of the COVID-19 pandemic, and our outlook for the second half of 2020 is based on the assumption that our overall demand in end markets in the second half of 2020 is expected to be approximately at the same level as in the second quarter 2020.

Brexit

On 29 March 2017, Article 50 was triggered starting the process of the UK leaving the European Union, and on 31st January 2020, some 3.5 years later the UK left, ending 46 years of the UK's membership. While in practical terms not much will change during the transition period running until the end of 2020 (the UK will abide by EU rules and will remain part of the EU Single Market and the Customs Union), the UK becomes a 3rd country, not involved in the EU's decision-making. The so-called phase two of the negotiations, which will define future relationships, will start in March and the directors are continuing to prudently analyse the business environment caused by the known impact of the Brexit situation to identify where and when there may be business opportunities.

Of particular note is the effect of the possible implications of any UK REACH legislation; tariffs, duty, rules of origin, logistics processes and the machinations of Government are all under continual scrutiny. In the ongoing volatile political climate BASF have teams aligned, closely monitoring the priority situations to ensure we understand when any action needs to be prepared for or taken.

Strategic Report for the Year Ended 31 December 2019 (continued)

COVID-19 Pandemic

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. The spread of COVID-19 has resulted in governments taking varied actions towards stemming its spread and also bolstering economies. Consequently, the global economy has seen a slowdown of economic activity in many sectors. The impact of COVID-19 is expected to continue for the coming months with likely adverse effects on the operations and financial position of the business. The company is closely monitoring the spread of COVID-19, the actions and reactions of government and the potential effects it will have on its business..

Risks and uncertainties

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

• Impact of COVID 19 and risk of a significant slump in economic activity during the first half of 2020, with global economic weakness potentially lasting until 2021.

• Inherent risks in BASF products of obsolescence due to competitors developing technically superior products and the loss of market share.

• Risk of a major incident involving a chemical leak and contamination.

• Reduction in the oil price affecting prices especially in the Industrial Business

.• No agreement in place with Ineos to operate the Seals Sands plant.

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

Approved by the Board on 22 September 2020 and signed on its behalf by:

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H Koerner
Company secretary

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Proposed dividend

Dividends paid during the year comprise an interim dividend of £nil (2018: £nil)

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

Directors of the company

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

R J Carter

G W Mackey

T Urwin

K Harper

H Pflanzl

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.

Earl Road
Cheadle Hulme
Cheadle
Cheshire
SK8 6QG
England

Approved by the Board on 22 September 2020 and signed on its behalf by:

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H Koerner
Company secretary

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

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

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

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

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

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

KPMG LLP

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

Independent Auditor's Report to the Members of BASF plc

Opinion
We have audited the financial statements of BASF plc (the 'company') for the year ended 31 December 2019, 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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:

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

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

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

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

We have nothing to report in these respects.

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

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

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

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

A. Reddington

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

Date: 30th September 2020

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 Continuing operations £ 000	2019 Discontinued operations £ 000	2019 Total £ 000	2018 Continuing operations £ 000	2018 Discontinued operations £ 000	2018 Total £ 000
Turnover	3	430,852	44,093	474,945	510,304	179,524	689,828
Cost of sales		(372,182)	(46,542)	(418,724)	(442,566)	(185,670)	(628,236)
Gross profit/(loss)		58,670	(2,449)	56,221	67,738	(6,146)	61,592
Distribution costs		(59,311)	(637)	(59,948)	(66,431)	(7,200)	(73,631)
Administrative expenses		(11,979)	(8,736)	(20,715)	(14,725)	(10,584)	(25,309)
Guaranteed Minimum Pension past service costs		-	-	-	(24,600)	-	(24,600)
Other operating income/(expense)	5	24,631	59	24,690	21,083	111	21,194

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 Continuing operations £ 000	2019 Discontinued operations £ 000	2019 Total £ 000	2018 Continuing operations £ 000	2018 Discontinued operations £ 000	2018 Total £ 000
Operating profit/(loss)	7	12,011	(11,763)	248	(16,935)	(23,819)	(40,754)
Profit on disposal of operations		-	-	-	106	-	106
Income from shares in group undertakings	11	4,500	-	4,500	4,608	-	4,608
Other interest receivable and similar income	8	642	-	642	69	-	69
Interest payable and similar charges	9	(3,003)	-	(3,003)	(3,673)	-	(3,673)
Other finance income	10	568	-	568	244	-	244
Amounts written off investments	18	-	-	-	(1,501)	-	(1,501)
		2,707	-	2,707	(147)	-	(147)
Profit/(loss) before tax		14,718	(11,763)	2,955	(17,082)	(23,819)	(40,901)
Taxation	15	1,871	1,992	3,863	(463)	8,135	7,672
Profit/(loss) for the financial year		16,589	(9,771)	6,818	(17,545)	(15,684)	(33,229)

The notes on pages 18 to 51 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Profit/(loss) for the year	6,818	(33,229)
Remeasurement gain/(loss) on defined benefit pension schemes (gross)	30,554	6,973
Income tax charge/income on remeasurement loss on defined benefit pension schemes	(5,194)	(1,185)
Total comprehensive income/(expense) for the year	32,178	(27,441)

The notes on pages 18 to 51 form an integral part of these financial statements.

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	16	19,955	22,952
Tangible assets	17	17,569	157,782
Investments	18	27,400	27,400
		64,924	208,134
Current assets			
Stocks	19	73,371	78,934
Debtors falling due within one year	20	195,925	127,072
Debtors falling due after more than one year	21	5,421	3,253
Cash at bank and in hand	22	10	6
		274,727	209,265
Creditors: Amounts falling due within one year	23	(117,465)	(192,453)
Net current assets		157,262	16,812
Total assets less current liabilities		222,186	224,946
Creditors: Amounts falling due after more than one year	23	(175,287)	(175,325)
Provisions for liabilities	24	(8,915)	(5,728)
Net assets excluding pension asset and post-retirement healthcare scheme		37,984	43,893
Net pension assets	25	39,908	1,902
Post-retirement healthcare scheme	25	(413)	(494)
Net assets		77,479	45,301
Capital and reserves			
Called up share capital	26	30,750	30,750
Profit and loss account		46,729	14,551
Total equity		77,479	45,301

The notes on pages 18 to 51 form an integral part of these financial statements.

Balance Sheet as at 31 December 2019 (continued)

Approved and authorised by the Board on 22 September 2020 and signed on its behalf by:

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T Urwin
Director

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	30,750	41,992	72,742
Loss for the year	-	(33,229)	(33,229)
Other comprehensive income	-	5,788	5,788
Total comprehensive income	-	(27,441)	(27,441)
At 31 December 2018	30,750	14,551	45,301

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	30,750	14,551	45,301
Profit for the year	-	6,818	6,818
Other comprehensive income	-	25,360	25,360
Total comprehensive income	-	32,178	32,178
At 31 December 2019	30,750	46,729	77,479

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital, incorporated in England. The company's registered office is Earl Road, Cheadle Hulme, Cheadle, Cheshire, SK8 6QG.

These financial statements were authorised for issue by the Board on 22 September 2020.

2 Accounting policies

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

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

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

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

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

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

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

Notes to the Financial Statements for the Year Ended 31 December 2019 (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.

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 agreements with BASF Group. There are no concerns over the going concern of the BASF group has as it has continued to post positive EBIT results during the pandemic. In a severe but plausible scenario these segments will achieve a positive EBIT via a reduction in inter-company transfer price of products purchased, in the case of the merchandise distribution model, or in an increased inter-company transfer selling price, in the case of the contract manufacturing agreements.

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

Directors have considered a severe but plausible scenario for Seal Sands due to the current shut-down of the site and therefore cannot be further impacted by COVID-19. For Dealburn Road, Braford Hub sales and Alfreton sites, management forecast a loss of up to 15 million GBP for the 12 months, assuming sales were to be achieved during the entire period. This would be the amount required in order to cover the segments fixed costs. Management believe that this is not a likely scenario but consider this as worst-case outcome.

BASF plc is due to receive 109 million Euro for its share of the sale of Construction Chemicals (UK) Limited to Lonestar on 30 September 2020. BASF plc will record a profit on the sale, after write-down of investment holding value, of 44 million GBP. Profit and loss before tax, even in a severe but plausible scenario for BASF plc, will be positive for 2020. The cash position in BASF plc held in the Group's banking facility to which the company has access is 115 million GBP as at the end of August 2020. This will increase to in excess of 200 million GBP in October when the company receives the proceeds from the sale of Construction Chemicals (UK) Limited. The company has a loan that is due to expire in 2021 in the amount of 150 million GBP. Once repaid, this will leave 50 million in cash (the company does not plan to repay its smaller loan of 25 million which expires after 12 months from date of signing the accounts). These funds will mean that BASF plc will not face a cashflow issue from the COVID-19 pandemic. The company is part of the cash concentration agreement so will have full access to further borrowing if required, but the current forecasts show that this will not be required, even in the sever but plausible scenario. The company has 157 million GBP net current assets in the current financial period 2019, so can sustain losses calculated as per the worst-case scenario over 2020 and 2021.

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

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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

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

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

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

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

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

Deferred tax is measured at the rate that is expected to apply to the reversal of the related difference, using tax rates that have been enacted or substantively enacted at the balance sheet date.
Unrelieved tax losses and other deferred tax assets are recognised only to the extent that 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 2019 (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 2019 (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 2019 (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 2019 (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.

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

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

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

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

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

Notes to the Financial Statements for the Year Ended 31 December 2019 (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 2019 (continued)

3 Segmental analysis

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

	2019 £ 000	2018 £ 000
Sale of goods	458,789	670,432
Royalties received	1,165	2,833
Commissions received	14,991	16,563
	474,945	689,828

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

	2019 £ 000	2018 £ 000
Manufacturing	234,619	447,961
Distribution of chemicals, plastics and related products	223,576	220,687
Sales acting as agent, sale of speciality care chemicals and royalties	16,750	21,180
	474,945	689,828

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

	2019 £ 000	2018 £ 000
UK	265,916	282,749
Europe	151,535	270,807
Rest of world	57,494	136,272
	474,945	689,828

4 Cost of sales

Cost of sales for the Bradford and Grimsby sites decreased to £91,515,000 (2018: £235,206,000). The decrease was due to the divestment of the paper and water chemical business to Solenis.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

5 Other operating income

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

	2019 £ 000	2018 £ 000
Miscellaneous other operating income	161	1,062
Non trade business recharges	14,082	16,051
Income from non-typical operations	10,447	4,081
	24,690	21,194

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

6 Other gains and losses

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

	2019 £ 000	2018 £ 000
Loss from disposals of investments	-	(1,501)

7 Operating profit/(loss)

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Depreciation expense	7,052	22,275
Amortisation expense	1,522	1,851
Research and development cost	128	1,222
Operating lease expense - property	659	461
Operating lease expense - plant and machinery	132	774
Operating lease expense - other	1,167	1,781
Profit on disposal of property, plant and equipment	(1,189)	(206)
Gain from write-downs and reversals of inventories	(2,355)	(2,189)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

8 Other interest receivable and similar income

	2019 £ 000	2018 £ 000
Other finance income	70	52
Receivable from group undertakings	575	17
	645	69

9 Interest payable and similar charges

	2019 £ 000	2018 £ 000
Interest expense on other finance liabilities	3	-
Gain/(loss) on Foreign exchange	(258)	325
Interest payable to group undertakings	3,261	3,348
	3,006	3,673

10 Other finance (income)/costs

	2019 £ 000	2018 £ 000
Expected return on pension scheme assets	(41,822)	(41,355)
Interest on pension scheme liabilities	41,254	41,111
	(568)	(244)

11 Income from other fixed asset investments

	2019 £ 000	2018 £ 000
Dividends from BASF Construction Chemicals Ltd	(4,500)	(2,671)
Dividends from BASF Business Services Holding Ltd	-	(1,937)
	(4,500)	(4,608)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	36,242	60,880
Social security costs	4,004	5,871
Pension costs, defined contribution scheme	5,382	8,414
Pension costs, defined benefit scheme	1	-
Other post-employment benefit costs	80	99
	45,709	75,264

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

	2019 No.	2018 No.
Production	236	773
Sales, marketing, distribution, research and administration	367	374
	603	1,147

13 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	683	697
Contributions paid to money purchase schemes	87	70
	770	767

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

	2019 No.	2018 No.
Received or were entitled to receive shares under long term incentive schemes	2	2
Accruing benefits under money purchase pension scheme	2	3

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Directors' remuneration (continued)

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	316	337

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

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

14 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	261	151

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Taxation

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

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax credit	(322)	(5,824)
UK corporation tax (credit)/expense adjustment to prior periods	75	(499)
	(247)	(6,323)
Foreign tax expense	190	293
Total current income tax expense	(57)	(6,030)
Deferred taxation		
Arising from origination and reversal of timing differences	(3,798)	(1,322)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(8)	(320)
Total deferred taxation	(3,806)	(1,642)
Tax receipt in the profit and loss account	(3,863)	(7,672)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit/(loss) before tax	2,955	(40,901)
Corporation tax at standard rate	562	(7,771)
Effect of revenues exempt from taxation	(5,894)	(924)
Effect of expense not deductible in determining taxable profit (tax loss)	802	1,355
Deferred tax expense relating to changes in tax rates or laws	447	-
Deferred tax expense from unrecognised tax loss or credit	-	34
Deferred tax credit from unrecognised temporary difference from a prior period	-	(320)
Increase/(decrease) in UK and foreign current tax from adjustment for prior periods	67	(499)
Tax increase arising from overseas tax suffered/expensed	190	293
Other tax effects for reconciliation between accounting profit and tax expense (income)	(37)	160
Total tax credit	(3,863)	(7,672)

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

Deferred tax is provided at a rate of 17% as this was the rate substantively enacted at the balance sheet date.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Taxation *(continued)*

Deferred tax
Deferred tax assets and liabilities

2019	**Asset £ 000**	**Liability £ 000**
Accelerated capital allowances	2,007	-
Provisions	43	-
Retirement Benefit obligations	-	8,995
Tax losses carried forward	2,729	-
	4,779	8,995

2018	**Asset £ 000**	**Liability £ 000**
Accelerated capital allowances	-	2,999
Provisions	-	34
Retirement Benefit obligations	-	238
Tax losses carried forward	2,729	-
	2,729	3,271

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

16 Intangible assets

	Goodwill £ 000	Trademarks, patents and licenses £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	88,990	4,057	93,047
Additions	362	-	362
Disposals	-	(3,290)	(3,290)
At 31 December 2019	89,352	767	90,119
Amortisation			
At 1 January 2019	67,937	2,158	70,095
Amortisation charge	1,481	41	1,522
Amortisation eliminated on disposals	-	(1,453)	(1,453)
At 31 December 2019	69,418	746	70,164
Carrying amount			
At 31 December 2019	19,934	21	19,955
At 31 December 2018	21,053	1,899	22,952

The aggregate amount of research and development expenditure recognised as an expense during the period is £128,190 (2018 - £1,221,196).

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 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 2019	74,296	7,843	7,388	238,007	327,534
Additions	130	225	2,379	349	3,083
Disposals	(59,799)	(4,311)	(5,752)	(164,146)	(234,008)
Transfers	301	144	(813)	366	(2)
At 31 December 2019	14,928	3,901	3,202	74,576	96,607
Depreciation					
At 1 January 2019	28,113	5,752	1,769	134,118	169,752
Charge for the year	1,099	366	-	5,587	7,052
Eliminated on disposal	(21,092)	(3,129)	(1,769)	(71,776)	(97,766)
At 31 December 2019	8,120	2,989	-	67,929	79,038

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 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 2019	6,808	912	3,202	6,647	17,569
At 31 December 2018	46,183	2,091	5,619	103,889	157,782

Included within the net book value of land and buildings above is £6,807,119 (2018 - £46,182,316) in respect of freehold land and buildings.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Investments in subsidiaries, joint ventures and associates

	2019 £ 000	2018 £ 000
Investments in subsidiaries	27,400	27,400

Subsidiaries	**£ 000**
Cost or valuation	
At 1 January 2019	27,400
Provision	
At 1 January 2019 and 31 December 2019	-
Carrying amount	
At 31 December 2019	27,400
At 31 December 2018	27,400

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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

Details of undertakings

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

Undertaking	Registered office	Holding	Proportion of voting rights and shares held 2019	2018
Subsidiary undertakings				
Sorex Holdings Limited	St Michaels Industrial Estate, Widnes, Cheshire, WA8 8TJ England	Ordinary	100%	100%
BASF Construction Chemicals Ltd	PO Box 4, Earl Road, Cheadle Hulme, Cheadle, Cheshire, SK8 6QG England	Ordinary	100%	100%
Nunhems UK Ltd	400 South Oak Way, Reading, RG2 6AD England	Ordinary	100%	100%

The principal activity of Sorex Holdings Limited is that of a holding company.

The principal activity of BASF Construction Chemicals Ltd is that of an intermediate holding company.

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

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Stocks

	2019 £ 000	2018 £ 000
Raw materials and consumables	12,482	27,554
Merchandise	48,283	8,911
Production supplies	-	4,729
Finished goods and goods for resale	12,484	37,625
Other inventories	122	115
	73,371	78,934

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £418,724,000 (2018: £628,236,000). The write-down of stocks to net realisable value and aged stock provision amounted to a loss of £2,355,087,000 (2018: loss £2,189,296,000), and have reduced gross stocks to the carrying amount above. The movement in the stock provision in the current year is related mainly to products produced at Seal Sands. Due to these negative margins as a result of high fixed costs stocks were written down to net realisable value resulting in the loss in the current period.

20 Debtors falling due within one year

	Note	2019 £ 000	2018 £ 000
Trade debtors		34,769	45,377
Amounts owed by group undertakings	30	152,309	67,929
Other debtors		3,963	5,445
Prepayments		634	1,269
Accrued income		99	99
Deferred tax assets	15	42	-
Corporation tax		4,109	6,953
		195,925	127,072

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

21 Debtors falling due after more than one year

	Note	2019 £ 000	2018 £ 000
Other debtors		685	524
Deferred tax assets	15	4,736	2,729
Total current trade and other debtors		5,421	3,253

22 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash at bank	10	6

23 Creditors

	Note	2019 £ 000	2018 £ 000
Due within one year			
Loans and borrowings	27	422	34,545
Trade creditors		11,890	26,334
Amounts owed to group undertakings	30	84,158	100,152
Social security and other taxes		1,432	2,031
Other payables		347	344
Accrued expenses		19,119	28,902
Other current financial liabilities		89	46
Deferred income		8	99
		117,465	192,453
Due after one year			
Loans and borrowings	27	175,000	175,010
Other non-current financial liabilities		1	1
Trade creditors due after more than one year		286	314
		175,287	175,325

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

24 Deferred tax and other provisions

	Employee benefits £ 000	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 January 2019	84	3,271	2,373	5,728
Additional provisions	11	6,714	496	7,221
Provisions used	-	(3,271)	(759)	(4,030)
Increase (decrease) from transfers and other changes	(7)	-	3	(4)
At 31 December 2019	88	6,714	2,113	8,915

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

25 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 £5,382,259 (2018 - £8,413,554).

Defined benefit pension schemes

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

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

25 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	604,378	572,676
Present value of defined benefit obligation	(570,688)	(547,345)
Defined benefit pension scheme surplus	33,690	25,331

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019 £ 000	2018 £ 000
Present value at start of year	547,345	565,412
Past service cost (see Profit and Loss Account Guaranteed Minimum Pension Guarantee)	-	12,911
Interest cost	15,484	14,377
Remeasurement: actuarial losses/(gains)	34,852	(15,612)
Benefits paid	(26,993)	(29,743)
Present value at end of year	570,688	547,345

Fair value of scheme assets

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

	2019 £ 000	2018 £ 000
Fair value at start of year	572,676	600,463
Interest income	16,219	15,228
Return on plan assets, excluding amounts included in interest income	42,476	(13,272)
Benefits paid	(26,993)	(29,743)
Fair value at end of year	604,378	572,676

Analysis of assets

The major categories of scheme assets are as follows:

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

25 Pension and other schemes (continued)

	2019 £ 000	2018 £ 000
Debt instruments	522,377	498,228
Other	36,445	62,422
Equity instruments	45,556	12,026
	604,378	572,676

Return on scheme assets

	2019 £ 000	2018 £ 000
Return on scheme assets	61,733	1,956

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:

	2019 %	2018 %
Discount rate	2.20	2.90
Future salary increases	3.00	3.90
Future pension increases for deferred benefits	2.30	2.40
Future pension increases RPI-linked	1.50	1.50
pension increases LPI 5%	3.00	3.10
pension increases LPI 2.5%	2.00	2.00

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

25 Pension and other schemes (continued)

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	21.90	22.60
Current UK pensioners at retirement age - female	23.80	24.80
Future UK pensioners at retirement age - male	22.80	24.20
Future UK pensioners at retirement age - female	25.00	26.50

BPP Section of the BASF UK Group Pension Scheme

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

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

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	1,010,225	942,845
Present value of defined benefit obligation	(1,002,811)	(965,087)
Defined benefit pension scheme surplus/(deficit)	7,414	(22,242)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

25 Pension and other schemes (continued)

	2019 £ 000	2018 £ 000
Present value at start of year	965,087	1,050,317
Past service cost (see Profit and Loss Account Guaranteed Minimum Pension Guarantee)	-	11,689
Interest cost	25,723	26,690
Remeasurement: actuarial (gains)/losses	73,190	(71,584)
Benefits paid	(54,289)	(52,025)
Effect of curtailments	(6,900)	-
Present value at end of year	1,002,811	965,087

Fair value of scheme assets

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

	2019 £ 000	2018 £ 000
Fair value at start of year	942,845	1,025,713
Interest income	25,603	26,126
Return on plan assets, excluding amounts included in interest income	96,066	(66,969)
Employer contributions	-	10,000
Benefits paid	(54,289)	(52,025)
Fair value at end of year	1,010,225	942,845

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

25 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Equity instruments	261,274	203,655
Debt instruments	615,251	629,820
Other	133,700	109,370
	1,010,225	942,845

Return on scheme assets

	2019 £ 000	2018 £ 000
Return on scheme assets	132,049	(40,843)

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:

	2019 %	2018 %
Discount rate	2.20	2.90
Future salary increases	3.00	3.10
Future pension increases for deferred benefits	3.30	3.40
Future pension increases RPI-linked	2.40	2.40
pension increases LPI 5%	3.00	3.10
pension increases LPI 2.5%	2.00	2.00

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

25 Pension and other schemes (continued)

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	21.50	22.20
Current UK pensioners at retirement age - female	23.40	24.40
Future UK pensioners at retirement age - male	22.50	23.80
Future UK pensioners at retirement age - female	24.60	26.10

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:

	2019 £ 000	2018 £ 000
Present value of defined benefit obligation	(1,196)	(1,187)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019 £ 000	2018 £ 000
Present value at start of year	1,187	1,232
Interest cost	33	31
Remeasurement: actuarial gains/(losses)	2	(23)
Contributions by scheme participants	(26)	(53)
Present value at end of year	1,196	1,187

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

25 Pension and other schemes (continued)

Principal actuarial assumptions

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

	2019 %	2018 %
Discount rate	2.60	2.90
Inflation	3.40	3.40
Future pension increases RPI-linked	3.10	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:

	2019 £ 000	2018 £ 000
	(413)	(494)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019 £ 000	2018 £ 000
Present value at start of year	494	509
Interest cost	14	13
Actuarial gains and losses	(56)	5
Benefits paid	(39)	(33)
Present value at end of year	413	494

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

25 Pension and other schemes (continued)

Principal actuarial assumptions

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

	2019 %	2018 %
Discount rate	2.20	2.90
Initial medical trend	5.80	5.90
Ultimate medical trend	5.80	5.90

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	24.00	24.00

26 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	30,750	30,750	30,750	30,750

27 Loans and borrowings

	2019 £ 000	2018 £ 000
Non-current loans and borrowings		
HP and finance lease liabilities	-	10
Loans from other group undertakings	175,000	175,000
	175,000	175,010

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

27 Loans and borrowings (continued)

	2019 £ 000	2018 £ 000
Current loans and borrowings		
HP and finance lease liabilities	78	6
Loans from other group undertaking	344	34,539
	422	34,545

Current loans and borrowings owed to group undertakings comprise of a short term variable rate loan. The interest rate on the short term loan denominated in GBP was charged at 0.62% (2018: 1.18%). The year end loan short term loan was due for repayment on 25 January 2019 and is being renewed with a one-month term on a monthly basis depending on financing requirements.

Included in Non-current loans and borrowings are two long term loans. The first for £150,000,000 was entered into on 25 May 2016, and has a maturity date of 24 May 2021. The interest rate on the loan is charged at 1.75% (2018: 1.85%. The second for £25,000,000 was entered into on 24 November 2017, and has a maturity date of 24 November 2022. The interest rate on the loan was charged at 2.05% (2018: 2.15%).

28 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019 £ 000	2018 £ 000
Not later than one year	2,377	2,664
Later than one year and not later than five years	2,324	3,739
Later than five years	1,885	848
	6,586	7,251

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,958,000 (2018 - £3,016,000).

29 Contingent liabilities

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

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

30 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.

31 Post balance Sheet Events

Lone star

On 1 July 2020 Lone star, a global private equity firm, finalised a purchase agreement for the acquisition of BASF's construction chemicals business. On 1 July 2020 the trade and net assets of the construction chemicals business transferred to BASF Construction Chemicals (UK) Limited the company's subsidiary. Net assets transferred at book value totalled £21,115,687.72. BASF Construction Chemicals (UK) Limited remains a 100% subsidiary of the company. BASF plc intends to sell the company to Lone Star in the third quarter of 2020.

COVID-19 Pandemic

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. The spread of COVID-19 has resulted in governments taking varied actions towards stemming its spread and also bolstering economies. Consequently, the global economy has seen a slowdown of economic activity in many sectors. The impact of COVID-19 is expected to continue for the coming months with likely adverse effects on the operations and financial position of the business. The company is closely monitoring the spread of COVID-19, the actions and reactions of government and the potential effects it will have on its business.

32 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.