

# BASF Agricultural Specialities Limited

Directors' report and Financial Statements

Registered Number 1639557

for the Year Ended 31 December 2019



**BASF Agricultural Specialities Limited**  
**Directors' Report and Financial Statements**  
**Registered Number 1639557**  
**Year Ended 31 December 2019**

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BASF Agricultural Specialities Limited  
Directors' Report and Financial Statements  
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## 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 the manufacture and sale of bio-fertilisers and bio-pesticides. The principal activities are not expected to change in the foreseeable future.

### Fair review of the business

The directors consider the result for the year 2019 satisfactory.

The company continues to invest in research and development activities with the Littlehampton site being the hub for continued development of nematode products within the wider BASF group. The company made a profit of £5,646,000 (2018: £2,566,000).

### Key performance indicators

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

	Unit	2019	2018
Turnover	£000	15,727.06	13,396.32
Gross Profit Margin	%	61.36	47.87
Average Headcount	Number	32.00	34.00
Current ratio (current assets divided by current liabilities)	%	3.17	4.35

Comparing the respective 12 month periods to December, turnover increased from £13,396,000 to £15,727,000 representing an increase of 17.4%.

The average headcount figure for the period remains broadly consistent with the prior year.

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## **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.

Outreach initiatives that particularly encourage education, women in science, stem ambassador, and trainee placements continue.

#### **Environment**

The company has continued our approach to develop biological pesticides and inoculants for the market. We strive to increase our positive contribution to society and minimize the negative effects of our business activities.

#### **Engagement with employees**

Our employees are critical to the success of our business, and we strive for good communication with them through both segmental and group-wide publications and an intranet in order to foster content, engaged and productive personnel.

We encourage two-way participation from all personnel, and contributions are published in a weekly online wrap for site

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

### **Engagement with suppliers, customers and other relationships**

We are fully committed to our customers (both country and end user). We monitor our KPIs on a Scorecard on a monthly basis (including On Time in Full and Non-conformance Management targets).

We are proud to have been awarded ISO 9001:2015 during in 2019 Financial Year.

### **Brexit**

On 29 March 2017, Article 50 was triggered starting the process of the UK leaving the European Union, and on 31st January 2020, some 3.5 years later the UK left, ending 46 years of the UK's membership. While in practical terms not much 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.

### **COVID-19 Pandemic**

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organisation on 11 March 2020, impacting countries globally. The spread of COVID-19 has resulted in governments taking 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, but the company's products form part of essential supplies and have not seen a decrease in sales or profitability. 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.

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

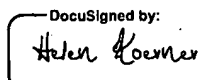
### Risks and uncertainties

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

- Impact of COVID 19 and risk of a significant slump in economic activity during the 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 product.
- Raw material and energy costs are prone to increase and the company makes all efforts to pass onto the customer. Dependent on the market, selling price increases cannot always be attained.
- Risk of significant changes in currency exchange rates. The company maintains constant management review of foreign exchange exposure and the group's policy is to hedge these risks using forward exchange contracts which are entered into by BASF Societas Europaea.

The company meets the legal requirements to manage these risks. Given the importance the company places on managing those risks, it also adheres to best practice and Chemical Industries Association Standards. There are regular risk assessment activities carried out on a site by site basis. Where corrective actions are required these are implemented and reviewed at the next internal audit. The production sites have to follow COMAH (Control Of Major Accident Hazards) regulations and are subject to Health and Safety Executive audits.

Approved by the Board on 6 November 2020 and signed on its behalf by:

DocuSigned by:  
  
.....CDB5B681717E41F.....  
H Koerner  
Company secretary

BASF Agricultural Specialities Limited  
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## **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.

### **Directors of the company**

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

R Carter

T Urwin

K Harper

### **Proposed dividend**

The directors paid dividends of £6,708,000 (2018: £nil) during the year.

### **Financial instruments**

#### ***Objectives and policies***

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

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

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

Credit risk is low due to all sales being intercompany sales.

Price risk, interest rate risk, liquidity risk and exchange risk are managed at a group level via a combination of BASF Services Europe GmbH and BASF SE, the company's ultimate parent. This reduces significantly the exposure of BASF Agricultural Specialities Limited to movements in the markets.

### **Employment of disabled persons**

Applications for disabled employees are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Employee involvement**

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

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## **Directors' Report for the Year Ended 31 December 2019**

### **Environmental matters**

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

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

### **Future developments**

The site is currently meeting growing market demand for both Nematode products (biological pesticides) and Rhizobium products (biological fertilizers).

Plans for further capacity expansion have been made in readiness for business approval, for the time when the current capacity has been filled.

The business is working on the Asset Target Picture (ATP) to define the terms and timing of future expansion.

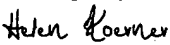
### **Disclosure of information to the auditor**

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 November 2020 and signed on its behalf by:

DocuSigned by:  
  
.....C065B68Y717E3YF.....  
H Koerner  
Company secretary

PO Box 4  
Earl Road  
Cheadle Hulme  
Cheadle  
Cheshire  
SK8 6QG  
England



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

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

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

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

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

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

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

KPMG LLP

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

## **Independent Auditor's Report to the Members of BASF Agricultural Specialities Limited**

### **Opinion**

We have audited the financial statements of BASF Agricultural Specialities Limited (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.

## **Independent Auditor's Report to the Members of BASF Agricultural Specialities Limited (continued)**

### **Strategic Report and Directors' Report**

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

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

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

## **Independent Auditor's Report to the Members of BASF Agricultural Specialities Limited (continued)**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, 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](http://www.frc.org.uk/auditorsresponsibilities).

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

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



.....  
**Andrew Reddington (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE  
Date: 9<sup>th</sup> November 2020

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**Profit and Loss Account for the Year Ended 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Turnover	3	15,726	13,396
Cost of sales		<u>(6,076)</u>	<u>(6,983)</u>
Gross profit		9,650	6,413
Distribution costs		(1,324)	(1,280)
Administrative expenses		(1,427)	(1,928)
Other operating income		<u>1</u>	<u>9</u>
Operating profit	4	<u>6,900</u>	<u>3,214</u>
Other interest receivable and similar income	5	94	30
Interest payable and similar charges	6	<u>-</u>	<u>(31)</u>
		<u>94</u>	<u>(1)</u>
Profit before tax		6,994	3,213
Taxation	10	<u>(1,348)</u>	<u>(647)</u>
Profit for the financial year		<u><u>5,646</u></u>	<u><u>2,566</u></u>

The above results were derived from continuing operations.

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

The notes on pages 15 to 29 form an integral part of these financial statements.

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**Statement of Comprehensive Income for the Year Ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the year	<u>5,646</u>	<u>2,566</u>
Total comprehensive income for the year	<u><u>5,646</u></u>	<u><u>2,566</u></u>

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**Balance Sheet as at 31 December 2019**

	Note	2019 £ 000	2018 £ 000
<b>Fixed assets</b>			
Tangible assets	11	7,327	7,466
<b>Current assets</b>			
Stocks	12	2,282	1,911
Debtors falling due within one year	13	<u>7,540</u>	<u>8,047</u>
		9,822	9,958
<b>Creditors: Amounts falling due within one year</b>	14	<u>(3,101)</u>	<u>(2,284)</u>
<b>Net current assets</b>		<u>6,721</u>	<u>7,674</u>
<b>Total assets less current liabilities</b>		14,048	15,140
<b>Provisions for liabilities</b>	15	<u>(73)</u>	<u>(103)</u>
<b>Net assets</b>		<u>13,975</u>	<u>15,037</u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account		<u>13,975</u>	<u>15,037</u>
<b>Total equity</b>		<u>13,975</u>	<u>15,037</u>

Approved and authorised by the Board on 6 November 2020 and signed on its behalf by:

DocuSigned by:  
  
8098C27EFD554C0.....

T Urwin  
Director

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**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	-	12,471	12,471
Profit for the year	-	2,566	2,566
Total comprehensive income	-	2,566	2,566
At 31 December 2018	-	15,037	15,037
	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	-	15,037	15,037
Profit for the year	-	5,646	5,646
Total comprehensive income	-	5,646	5,646
Dividends	-	(6,708)	(6,708)
At 31 December 2019	-	13,975	13,975



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## 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 PO Box 4, Earl Road, Cheadle Hulme, Cheadle, Cheshire, SK8 6QG.

### 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 for 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.

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## 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 Agricultural Specialities Ltd main business is production and distribution of own manufactured products which are used in farming crops. Farming and the food chain, and its workers are classified as part of the essential services in the United Kingdom and are therefore unaffected by COVID-19. The company's Home and Garden range products have an on-line presence to its end consumers via distributors. This on-line market has seen added demand during the pandemic due to the number of people working from home and spending more time in their gardens and increase in demand for on-line products.

Profit and loss before tax, even in a severe but plausible scenario for BASF Agricultural Specialities Ltd, will be positive for 2020. BASF Agricultural Specialities Ltd has projected EBIT of 5.9 million GBP for the year 2020 and as of September is on track to achieve that. The directors project growth in EBIT for the years 2021 and 2022. The cash position in BASF Agricultural Specialities Ltd held in the Group's banking facility to which the company has access is 10.3 million GBP as at the end of September 2020. The company has no loans to be repaid. These funds will mean that the company 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 severe but plausible scenario. The company has 6.7 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.

Furthermore, BASF Agricultural Specialities Ltd has decided to transfer the production of HCS Extender to a Toller in Germany, this allows it to increase its core own manufactured products and alleviates risk of contamination. The launch of the new Nemaslug species is in place for the 2021 sales, the improved yield will allow for very competitive pricing and new market opportunities. Investment of new mezzanine floor and automatic filling machine at our Harwood Road site, reduces disposals due to contamination and reflects confidence from Board of Directors.

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.

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

### 2 Accounting policies (continued)

#### Key sources of estimation uncertainty

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

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

#### Foreign currency transactions and balances

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

#### Tax

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

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

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

#### 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:

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

### 2 Accounting policies (continued)

Asset class	Depreciation rate
Buildings	2% - 10% per annum
Leasehold land and Buildings	life of lease
Plant and machinery	10% - 33.3% per annum

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

#### 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

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

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

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

### 2 Accounting policies (continued)

#### Leases

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

#### Share capital

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

#### Dividends

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

#### Defined contribution pension obligation

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

#### 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 or equivalent overseas sales taxes, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when:

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

### 3 Turnover

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

	2019	2018
	£ 000	£ 000
Sale of goods	<u>15,726</u>	<u>13,396</u>

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

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

### 3 Turnover (continued)

	2019	2018
	£ 000	£ 000
UK	1,565	1,659
Europe	7,085	6,825
Rest of world	7,076	4,912
	<u>15,726</u>	<u>13,396</u>

### 4 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£ 000	£ 000
Depreciation expense	666	626
Foreign exchange cost/(income)	(51)	31
Operating lease expense - property	104	127
Operating lease expense - plant and machinery	<u>10</u>	<u>7</u>

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

**5 Other interest receivable and similar income**

	2019 £ 000	2018 £ 000
Receivable from group undertakings	43	30
Net Foreign exchange gain	51	-
	<u>94</u>	<u>30</u>

**6 Interest payable and similar charges**

	2019 £ 000	2018 £ 000
Net Foreign exchange loss	-	31
	<u>-</u>	<u>31</u>

**7 Staff costs**

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

	2019 £ 000	2018 £ 000
Wages and salaries	1,593	1,906
Social security costs	131	148
Pension costs, defined contribution scheme	87	96
Other post-employment benefit costs	157	187
	<u>1,968</u>	<u>2,337</u>

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

	2019 No.	2018 No.
Administration and support	11	9
Research and development	6	5
Sales, marketing and distribution	15	20
	<u>32</u>	<u>34</u>

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

**8 Directors' remuneration**

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

	2019 £ 000	2018 £ 000
Remuneration	537	664
Contributions paid to money purchase schemes	87	96
	<u>624</u>	<u>760</u>

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	<u>316</u>	<u>337</u>

**9 Auditor's remuneration**

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>18</u>	<u>16</u>



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

### 10 Taxation

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

	2019 £ 000	2018 £ 000
<b>Current taxation</b>		
UK corporation tax	1,378	656
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>(30)</u>	<u>(9)</u>
Tax expense in the profit and loss account	<u>1,348</u>	<u>647</u>

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

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	<u>6,994</u>	<u>3,213</u>
Corporation tax at standard rate	1,329	610
Effect of expense not deductible in determining taxable profit (tax loss)	35	33
Deferred tax credit from unrecognised temporary difference from a prior period	(26)	(1)
Increase in UK and foreign current tax from adjustment for prior periods	10	27
Tax decrease from effect of adjustment in research and development tax credit	<u>-</u>	<u>(22)</u>
Total tax charge	<u>1,348</u>	<u>647</u>

A reduction in the UK corporation tax rate to 17% (effective 01 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.

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**10 Taxation (continued)**

**Deferred tax**

Deferred tax assets and liabilities

	<b>Liability</b>	
	<b>£ 000</b>	
<b>2019</b>		
Accelerated tax depreciation		73
Provisions		-
		<u>73</u>
		<u>73</u>
<b>2018</b>	<b>Asset</b>	<b>Liability</b>
	<b>£ 000</b>	<b>£ 000</b>
Accelerated tax depreciation	-	112
Provisions	9	-
	<u>9</u>	<u>112</u>
	<u>9</u>	<u>112</u>

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

### 11 Tangible assets

	Land and buildings £ 000	Leasehold improvements £ 000	Assets under construction £ 000	Other tangible assets £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2019	3,741	710	869	6,863	12,183
Additions	270	-	148	144	562
Disposals	-	(285)	(35)	-	(320)
Transfers	440	89	(834)	305	-
At 31 December 2019	4,451	514	148	7,312	12,425
<b>Depreciation</b>					
At 1 January 2019	448	430	-	3,839	4,717
Charge for the year	115	25	-	526	666
Eliminated on disposal	-	(285)	-	-	(285)
At 31 December 2019	563	170	-	4,365	5,098

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

**11 Tangible assets (continued)**

	<b>Land and buildings £ 000</b>	<b>Leasehold improvements £ 000</b>	<b>Assets under construction £ 000</b>	<b>Other tangible assets £ 000</b>	<b>Total £ 000</b>
<b>Carrying amount</b>					
At 31 December 2019	<u>3,888</u>	<u>344</u>	<u>148</u>	<u>2,947</u>	<u>7,327</u>
At 31 December 2018	<u>3,293</u>	<u>280</u>	<u>869</u>	<u>3,024</u>	<u>7,466</u>

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

### 11 Tangible assets (continued)

Included within the net book value of land and buildings above is £3,887,600 (2018 - £3,292,582) in respect of freehold land and buildings.

### 12 Stocks

	2019 £ 000	2018 £ 000
Raw materials and consumables	843	578
Merchandise	740	514
Work in progress	699	819
	<u>2,282</u>	<u>1,911</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £6,076,000 (2018 : £6,983,000). The write-down of stocks to net realisable value amounted to a loss of £9,000 (2018: loss £160,000), and have reduced gross stocks to the carrying amount above.

### 13 Debtors falling due within one year

	2019 £ 000	2018 £ 000
Amounts owed by group undertakings	7,362	7,766
Other debtors	170	266
Prepayments	8	15
Total current trade and other debtors	<u>7,540</u>	<u>8,047</u>

### 14 Creditors

	2019 £ 000	2018 £ 000
<b>Due within one year</b>		
Trade creditors	402	536
Amounts due to related parties	561	919
Social security and other taxes	24	25
Accrued expenses	174	214
Corporation tax	1,940	590
	<u>3,101</u>	<u>2,284</u>

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

### 15 Deferred tax provision

The decrease in the deferred tax provision relates to origination and reversal of timing differences and is included in the result for the year. (note 10)

### 16 Pension and other schemes

The employees of the company participate in the Defined Contribution section of the BASF (UK) group Pension Scheme.

Information about the plan as a whole can be obtained from the BASF Plc financial statements.

The pension cost shown in note 7 of £157,000 (2018: £187,000) represents the contribution payable by the Company to the fund. Contributions due to the fund are paid over in the monthly deduction from the payroll, so at the balance sheet date contributions of £ nil are outstanding (2018: £ nil).

### 17 Share capital

#### Allotted, called up and fully paid shares

	2019		2018	
	No.	£ 000	No.	£ 000
Ordinary shares of £1 each	100	-	100	-

### 18 Obligations under leases and hire purchase contracts

#### Operating leases

The total of future minimum lease payments is as follows:

	2019	2018
	£ 000	£ 000
Not later than one year	125	129
Later than one year and not later than five years	437	506
Later than five years	12	28
	<u>574</u>	<u>663</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £114,000 (2018 - £134,000).

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

### **19 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.

### **20 Non adjusting events after the financial period**

The Covid-19 pandemic and its likely effects on the Company are considered in the Strategic Report.

### **21 Parent and ultimate parent undertaking**

The company's immediate parent is Becker Underwood (UK) 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.