

# BASF Agricultural Specialities Limited

Directors' report and Financial Statements

Registered Number 1639557

for the Year Ended 31 December 2017

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## Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

### 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 2017 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 £1,172,000 (2016:£3,617,000).

### Key performance indicators

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

	Unit	2017	2016
Turnover	£000	10,835.34	15,766.84
Gross Profit Margin	%	41.63	43.02
Average Headcount	Number	35.00	36.00
Current ratio (current assets divided by current liabilities)	%	3.26	2.66

Comparing the respective 12 month periods to December, turnover decreased from £15,767,000 to £10,835,000 representing a decrease of 31.0%. The 2015 sales were £9,855,000, which shows the overall pattern of an increase in sales, the 2017 were affected as a number of orders were placed and delivered in late 2016 and early 2018.

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

### Responsible care

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

Global Safety day took place in 2017. The aim was to make successful safety work visible, tangible and to discuss possibilities for networking and improvement. Safety is our core value of BASF and is never compromised on.

## Strategic Report for the Year Ended 31 December 2017 (continued)

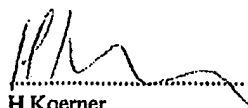
### Risks and uncertainties

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:

- 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.
- Starting the process of the UK leaving the EU, could impact the company in terms of changes in exchange rate and economic uncertainty. The company will therefore also face uncertainty over tariff free access to the single market, continued access to skilled labour, the supply of competitive and secure energy and regulatory consistency.

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 13 September 2018 and signed on its behalf by:



H Koerner  
Company secretary

## **Directors' Report for the Year Ended 31 December 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

### **Directors of the company**

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

G Gowling (resigned 1 July 2018)

S Hatton (resigned 30 April 2017)

R Carter

K Harper (appointed 1 May 2017)

T Urwin

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2016: £nil).

### **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.

## **Directors' Report for the Year Ended 31 December 2017**

### **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 expansion of fermentation operations at BASF Agricultural Specialities was completed at the end of 2015. The site is now in a position to meet the demand of an expanding market for Nematode products (biological pest control) and Rhizobium products (biological fertilizers). The site has scope for further expansion possibilities depending on growth in the markets and project approval. Currently any further expansion is projected to be in 2020.

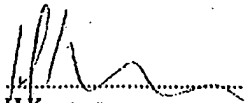
### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

### **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 13 September 2018 and signed on its behalf by:



H Koerner  
Company secretary

PO Box 4  
Earl Road  
Cheadle Hulme  
Cheshire  
SK8 6QG

## **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 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.



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 2017, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

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

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

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



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

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

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **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).

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

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

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



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

Date: 25 September 2018

BASF Agricultural Specialities Limited  
 Directors' Report and Financial Statements  
 Registered Number 1639557  
 Year Ended 31 December 2017

**Profit and Loss Account for the Year Ended 31 December 2017**

	Note	2017 £ 000	2016 £ 000
Turnover	3	10,835	15,767
Cost of sales		<u>(6,325)</u>	<u>(8,985)</u>
Gross profit		4,510	6,782
Distribution costs		(927)	(1,087)
Administrative expenses		(2,231)	(1,380)
Other operating income		<u>112</u>	<u>195</u>
Operating profit	4	<u>1,464</u>	<u>4,510</u>
Other interest receivable and similar income	5	7	128
Interest payable and similar charges	6	<u>(31)</u>	<u>(18)</u>
		<u>(24)</u>	<u>110</u>
Profit before tax		1,440	4,620
Taxation	10	<u>(268)</u>	<u>(1,003)</u>
Profit for the financial year		<u>1,172</u>	<u>3,617</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.

**Statement of Comprehensive Income for the Year Ended 31 December 2017**

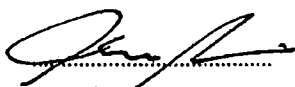
	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the year	<u>1,172</u>	<u>3,617</u>
Total comprehensive income for the year	<u><u>1,172</u></u>	<u><u>3,617</u></u>

BASF Agricultural Specialities Limited  
 Directors' Report and Financial Statements  
 Registered Number 1639557  
 Year Ended 31 December 2017

**Balance Sheet as at 31 December 2017**

	Note	2017 £ 000	2016 £ 000
<b>Fixed assets</b>			
Tangible assets	11	7,305	7,557
<b>Current assets</b>			
Stocks	12	3,005	2,847
Debtors falling due within one year	13	<u>4,604</u>	<u>3,332</u>
		7,609	6,179
<b>Creditors: Amounts falling due within one year</b>	14	<u>(2,331)</u>	<u>(2,321)</u>
<b>Net current assets</b>		<u>5,278</u>	<u>3,858</u>
<b>Total assets less current liabilities</b>		12,583	11,415
<b>Provisions for liabilities</b>	15	<u>(112)</u>	<u>(116)</u>
<b>Net assets</b>		<u>12,471</u>	<u>11,299</u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account		<u>12,471</u>	<u>11,299</u>
<b>Total equity</b>		<u>12,471</u>	<u>11,299</u>

Approved and authorised by the Board on 13 September 2018 and signed on its behalf by:

  
 T Urwin  
 Director

BASF Agricultural Specialities Limited  
 Directors' Report and Financial Statements  
 Registered Number 1639557  
 Year Ended 31 December 2017

**Statement of Changes in Equity for the Year Ended 31 December 2017**

	Profit and loss account £ 000	Total £ 000
At 1 January 2016	7,682	7,682
Profit for the year	3,617	3,617
Total comprehensive income	3,617	3,617
At 31 December 2016	11,299	11,299
	Profit and loss account £ 000	Total £ 000
At 1 January 2017	11,299	11,299
Profit for the year	1,172	1,172
Total comprehensive income	1,172	1,172
At 31 December 2017	12,471	12,471

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 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, 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.

#### Going concern

The financial statements have been prepared on a going concern basis. After making all appropriate enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the company's financial statements.

## Notes to the Financial Statements for the Year Ended 31 December 2017 (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.

#### 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.

#### 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.



## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 2 Accounting policies (continued)

#### 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:

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.

## Notes to the Financial Statements for the Year Ended 31 December 2017 (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

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

#### Leases

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

#### Share capital

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

#### Defined contribution pension obligation

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

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 3 Turnover

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

	2017	2016
	£ 000	£ 000
Sale of goods	<u>10,835</u>	<u>15,767</u>

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

	2017	2016
	£ 000	£ 000
UK	1,836	2,013
Europe	6,614	11,749
Rest of world	<u>2,385</u>	<u>2,005</u>
	<u>10,835</u>	<u>15,767</u>

### 4 Operating profit

Arrived at after charging/(crediting)

	2017	2016
	£ 000	£ 000
Depreciation expense	621	530
Research and development cost/(income)	3	(58)
Foreign exchange cost/(income)	31	127
Operating lease expense - property	123	107
Operating lease expense - plant and machinery	<u>8</u>	<u>13</u>

**Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

**5 Other interest receivable and similar income**

	2017 £ 000	2016 £ 000
Receivable from group undertakings	7	1
Net Foreign exchange gain	-	127
	<u>7</u>	<u>128</u>

**6 Interest payable and similar charges**

	2017 £ 000	2016 £ 000
Net Foreign exchange loss	31	-
Interest payable to group undertakings	-	18
	<u>31</u>	<u>18</u>

**7 Staff costs**

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

	2017 £ 000	2016 £ 000
Wages and salaries	1,869	1,869
Social security costs	147	125
Pension costs, defined contribution scheme	108	60
Other post-employment benefit costs	227	255
	<u>2,351</u>	<u>2,309</u>

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

	2017 No.	2016 No.
Administration and support	9	7
Research and development	7	9
Sales, marketing and distribution	19	20
	<u>35</u>	<u>36</u>

## Notes to the Financial Statements for the Year Ended 31 December 2017 (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.

	2017 £ 000	2016 £ 000
Remuneration	671	648
Contributions paid to money purchase schemes	108	60
	<u>779</u>	<u>708</u>

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

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

	2017 No.	2016 No.
Exercised share options	-	1
Accruing benefits under defined benefit pension scheme	<u>-</u>	<u>3</u>

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Remuneration	308	242
Company contributions to money purchase pension schemes	<u>-</u>	<u>33</u>

### 9 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	<u>16</u>	<u>16</u>

**Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

**10 Taxation**

Tax charged in the profit and loss account

	2017 £ 000	2016 £ 000
<b>Current taxation</b>		
UK corporation tax	264	1,081
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>4</u>	<u>(78)</u>
<b>Tax expense in the profit and loss account</b>	<u><u>268</u></u>	<u><u>1,003</u></u>

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 10 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	<u>1,440</u>	<u>4,620</u>
Corporation tax at standard rate	277	924
Effect of expense not deductible in determining taxable profit (tax loss)	25	25
Deferred tax expense/(credit) relating to changes in tax rates or laws	1	(3)
Deferred tax credit from unrecognised temporary difference from a prior period	-	(106)
Increase in UK and foreign current tax from adjustment for prior periods	8	211
Tax decrease from effect of adjustment in research and development tax credit	(41)	(41)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(2)</u>	<u>(7)</u>
Total tax charge	<u>268</u>	<u>1,003</u>

The UK Corporation tax rate was reduced from 20% to 19% effective on 1 April 2017. A further reduction to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

**Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

**10 Taxation (continued)**

**Deferred tax**

**Deferred tax assets and liabilities**

	<b>Liability £ 000</b>
<b>2017</b>	
Accelerated tax depreciation	<u>112</u>
<b>2016</b>	
Accelerated tax depreciation	<u>108</u>



Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Tangible assets

	Land and buildings £ 000	Leasehold improvements £ 000	Assets under construction £ 000	Plant and Machinery £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2017	3,741	628	299	6,534	11,202
Additions	-	55	235	79	369
Disposals	-	(36)	-	(140)	(176)
Transfers	-	63	(259)	197	1
At 31 December 2017	<u>3,741</u>	<u>710</u>	<u>275</u>	<u>6,670</u>	<u>11,396</u>
<b>Depreciation</b>					
At 1 January 2017	221	439	-	2,985	3,645
Charge for the year	113	12	-	496	621
Eliminated on disposal	-	(35)	-	(140)	(175)
At 31 December 2017	<u>334</u>	<u>416</u>	<u>-</u>	<u>3,341</u>	<u>4,091</u>
<b>Carrying amount</b>					
At 31 December 2017	<u>3,407</u>	<u>294</u>	<u>275</u>	<u>3,329</u>	<u>7,305</u>

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Tangible assets (continued)

	Land and buildings £ 000	Leasehold improvements £ 000	Assets under construction £ 000	Plant and Machinery £ 000	Total £ 000
At 31 December 2016	<u>3,520</u>	<u>189</u>	<u>299</u>	<u>3,549</u>	<u>7,557</u>

Included within the net book value of land and buildings above is £3,406,711 (2016 - £3,520,040) in respect of freehold land and buildings.

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 12 Stocks

	2017 £ 000	2016 £ 000
Raw materials and consumables	298	342
Merchandise	1,435	1,524
Work in progress	1,272	981
	<u>3,005</u>	<u>2,847</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to ££6,325,000.00 (2016 : ££8,985,000.00). The write-down of stocks to net realisable value amounted to a loss of £253,000 (2016: gain £67,000), and have reduced gross stocks to the carrying amount above.

### 13 Debtors falling due within one year

	Note	2017 £ 000	2016 £ 000
Amounts owed by group undertakings	19	4,219	2,869
Other debtors		332	426
Prepayments		53	37
Total current trade and other debtors		<u>4,604</u>	<u>3,332</u>

### 14 Creditors

	Note	2017 £ 000	2016 £ 000
<b>Due within one year</b>			
Trade creditors		321	325
Amounts owed to group undertakings	19	987	910
Social security and other taxes		26	29
Accrued expenses		255	195
Corporation tax	10	742	862
		<u>2,331</u>	<u>2,321</u>

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 15 Deferred tax provision

	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 January 2017	108	8	116
Additional provisions	4	-	4
Unused provision reversed	-	(8)	(8)
At 31 December 2017	<u>112</u>	<u>-</u>	<u>112</u>

Other provision consists of pending losses provision which was reversed in 2017.

### 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 £227,000 (2016: £255,000) 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 (2016: £ nil).

### 17 Share capital

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

	2017 No.	£ 000	2016 No.	£ 000
Ordinary shares of £1 each	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 18 Obligations under leases and hire purchase contracts

#### Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	133	117
Later than one year and not later than five years	509	445
Later than five years	145	325
	<u>787</u>	<u>887</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £131,000 (2016 - £120,000).

### 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 Parent and ultimate parent undertaking

The company's immediate parent is Becker Underwood (UK) Limited, incorporated in England. Registered Address PO Box 4, Earl Road, Cheadle Hulme, Cheshire, SK8 6QG.

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 that Company's registered office, BASF Societas Europaea, D67056 – Ludwigshafen, Germany.

The ultimate controlling party is BASF Societas Europaea.