

**Company Registration No. 702844**  
**Directors' Report and Financial Statements**  
**31 December 2012**

**BASF POLYURETHANES U.K. LIMITED**

**Report and Financial Statements**

**31 December 2012**

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**BASF POLYURETHANES U.K. LIMITED**  
**Report and Financial Statements**  
**31 December 2012**  
**Company Registration No. 702844**

**REPORT AND FINANCIAL STATEMENTS**

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**REPORT AND FINANCIAL STATEMENTS**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mr W Stegh (Chairman - German) Retired 1<sup>st</sup> April 2012  
Dr R Lochtmann (Chairman – Dutch) Appointed 1<sup>st</sup> April 2012  
Dr U Hartwig (German)  
Mr P Robinson (British)  
Mr T Jensen (Danish)

**SECRETARY**

Mr S Hatton

**REGISTERED OFFICE**

BASF Polyurethanes U K Limited  
Alfreton Trading Estate  
Wimsey Way  
Somercotes  
Alfreton  
Derbyshire  
DE55 4NL

**BANKERS**

HSBC Bank plc  
City of London Corporate Office  
PO Box 125  
27-32 Poultry  
London  
EC2P 2BX

**SOLICITORS**

Evershed, Wells & Hind  
1 Royal Standard Place  
Nottingham

**AUDITORS**

KPMG LLP  
St James' Square  
Manchester  
M2 6DS

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

### **PRINCIPAL ACTIVITIES**

The principal activity of the company continues to be the manufacture and sale of polyurethane systems to customers in the UK and Ireland

### **BUSINESS PERFORMANCE**

#### **Strategic Objectives**

The company continued to pursue its strategy, as an integral part of the global network of BASF Polyurethanes companies, to develop polyurethane systems to meet the needs of the markets in the UK and Ireland, as well as for selected application fields in mainland Europe and overseas. By closely monitoring market trends and forthcoming legislation, we align our sales, technical service and product development resources to the future requirements of the markets we serve

#### **Trends and Factors affecting Performance**

The company performed well in 2012, enjoying selective growth in targeted market segments and higher average selling prices than in 2011. Despite not being able to pass on the full impact of raw material costs (and other inflationary cost increases) to our customer base, the strategy of focusing our activities on certain targeted market segments and strict cost management enabled us to improve our profitability overall, especially during the second half of the year.

The robust measures introduced at the end of 2011 to improve inventory management proved to be very effective.

By focusing on more technically demanding market segments, we help to mitigate the permanent threat from certain sectors of the market to switch away from buying polyurethane systems and to become self-formulators themselves. The attractiveness of such a switch by our customers is governed largely by the price differential between our polyurethane systems and the basic raw materials, and the rate of return which a company might expect from investing in the equipment and technical expertise necessary to develop and formulate their own systems, coupled with their ability to achieve the consistent quality required for the articles they produce, without technical support.

#### **External Environment and Industry Changes affecting Performance**

We continue to uncover new markets and to develop formulations for new applications for speciality polyurethane systems, often replacing traditional materials. We have also been successful in re-formulating our systems to remove certain raw materials (for example, elastomer systems with new catalyst packages to eliminate the need to use mercury catalysts). We also benefit from the increasing demand for rigid polyurethane systems for thermal insulation applications in the built environment, a market sector which will continue to grow as a result of legislative measures which are increasing the requirements in terms of thermal insulation performance, thereby eliminating alternative insulation materials.

## **DIRECTORS' REPORT (continued)**

### **RISK AND UNCERTAINTY**

#### **Commercial Risk**

Supply and demand was largely in balance through 2012. Nevertheless, the cost price of key raw materials continued to rise, especially in the latter part of the year, as a result of which there is a need to recover lost margin during the first half of 2013. The majority of our raw materials are sourced from mainland Europe, meaning that changes in the value of Sterling versus the Euro can have an unforeseen impact on the company's profitability, the current weakening trend of Sterling versus the Dollar and the Euro is having a short-term impact on financial performance. However, pricing arrangements with much of our customer base is linked to an exchange rate mechanism, and we have an increasing number of customers who purchase from us in Euros.

### **KEY PERFORMANCE INDICATORS**

The following KPIs are seen as the most significant to the business in the short, medium and long term:

#### **Financial**

Operating profit as a percentage of turnover 6.8% in the year (2011 4.7%)

DSO (Days of debtors sales outstanding) 48 days (2011 49 days)

DIV (Days of inventory) 26 days (2011 32 days)

#### **Non Financial**

The Company has several non-financial indicators to monitor our performance, including productivity and efficiency indicators, and quality-related measurements (such as right-first-time, customer complaints, and non-conforming stock levels, etc.)

#### **Employee Involvement**

Employees are directly involved in the process of setting team and personal objectives, as well as participating in regular review meetings to measure progress towards our goals. We utilize an electronic performance management system for all employees, and have introduced a detailed employee development programme.

We also have regular site briefings, to which all employees are invited, at which we share information about the company's performance and discuss measures aimed at improving efficiency and business results. Employees' basic pay and bonus payments are directly linked to their own personal contribution, as well as to the overall success of the BASF Group.

All departments are represented at the Safe Working Group, which meets at least 10 times per year, to discuss all aspects of safety throughout the site and agree upon measures to mitigate risk.

The Managing Director met regularly throughout 2012 with the Staff Council (a representative body of employees which was originally formed in 2010 to ensure continuing inclusion of the workforce's views in key decisions and to give the workforce another vehicle by which to bring ideas forward to the Senior Management of the company).

## **DIRECTORS' REPORT (continued)**

### **Supplier Payment policy**

The company pays its suppliers in accordance with agreed terms of business

### **Political and charitable donations**

The company did not make any political or charitable donations in 2012 (2011 £1,812)

### **Review of developments and future prospects**

We have continued to successfully develop new opportunities in markets where we see sustainable above-average growth and earnings potential. The markets we serve continue to grow faster than GDP, and the growth rates of businesses and systems which we supply today and in the future will offset the impact of migration of business outside the UK and of any customers who may potentially switch to self-formulating. This applies to both the Insulation and Specialties business areas. We will continue to focus our development resources on markets and applications with a greater requirement for development expertise and technical support, and which will yield greater returns for the company.

### **Dividends and transfers to reserves**

The profit after taxation for the financial year amounted to £2,487,000 (2011 £1,861,000). A Dividend of £1,860,000 has been paid in this year (2011 £2,800,000).

## **DIRECTORS AND THEIR INTERESTS**

The directors of the company, who served during year, are as follows

Mr J P Robinson	(Managing Director)	
Dr R Lochtmann	(Dutch) (Chairman)	Appointed 1 <sup>st</sup> April 2012
Mr W Stegh	(German) (Chairman)	Retired 1 <sup>st</sup> April 2012
Dr U Hartwig	(German)	
Mr T B Jensen	(Danish)	

## **DISCLOSURE OF INFORMATION TO THE AUDITOR'S**

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

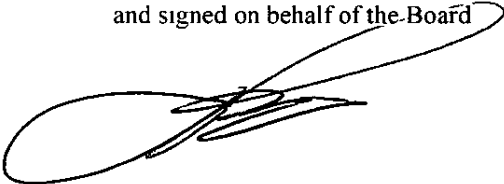
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**DIRECTORS' REPORT (continued)**

**AUDITOR**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'J P Robinson', written over a large, loopy oval shape.

J P Robinson  
Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 then apply them consistently,
- make judgments and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for proper 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 its financial statements comply with the Companies Act 2006. They 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  
St James' Square  
Manchester  
M2 6DS  
United Kingdom

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BASF POLYURETHANES U.K. LIMITED**

We have audited the Financial Statements of BASF Polyurethanes U K Limited for the year ended 31 December 2012 set out on pages 9 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**


In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BASF POLYURETHANES U.K. LIMITED** *(continued)*

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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

 4 July 2013

**David Bills (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
St James' Square  
Manchester  
M2 6DS

**BASF POLYURETHANES U.K. LIMITED**  
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**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2012**

	Note	2012 £'000	2011 £'000
<b>Turnover from continuing operations</b>	2	48,790	54,654
Cost of sales		(39,841)	(46,336)
<b>Gross profit</b>		<u>8,949</u>	<u>8,318</u>
Distribution costs		(5,158)	(5,328)
Administrative expenses		(495)	(403)
		<u>(5,653)</u>	<u>(5,731)</u>
<b>Operating profit</b>	4	3,296	2,587
<b>Other</b>			
Interest receivable and similar income	5	9	9
Interest payable and similar charges	6	-	(2)
		<u>-</u>	<u>(2)</u>
<b>Profit on ordinary activities before taxation</b>		3,305	2,594
Tax on profit on ordinary activities	7	(818)	(733)
<b>Profit for the financial year</b>		<u><u>2,487</u></u>	<u><u>1,861</u></u>

All amounts relate to continuing activities

The notes on pages 12 to 21 form part of the Financial Statements

**Statement of Total Recognised Gains and Losses**  
**For the year ended 31 December 2012**

The company has no recognised gains or losses other than the profit for the financial year and the preceding year.

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**BALANCE SHEET**  
**At 31 December 2012**

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	2,150	2,353
<b>Current assets</b>			
Stocks	10	2,567	3,283
Debtors	11	9,378	7,851
Cash at bank and in hand		-	22
		11,945	11,156
<b>Creditors: amounts falling due within one year</b>	12	(8,367)	(8,407)
<b>Net current assets</b>		3,578	2,749
<b>Total assets less current liabilities</b>		5,728	5,102
<b>Creditors: amounts falling due after more than one year</b>	13	(30)	(31)
		5,698	5,071
<b>Capital and reserves</b>			
Called up share capital	15	2,250	2,250
Profit and loss account		3,448	2,821
<b>Shareholder's funds</b>		5,698	5,071

The notes on pages 12 to 21 form part of the financial statements

These financial statements were approved by the Board of Directors on 03 July 2013

Signed on behalf of the Board of Directors



J P Robinson  
Director

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**RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**  
**Year ended 31 December 2012**

	2012 £'000	2011 £'000
<b>Profit for the financial year</b>	2,487	1,861
<b>Dividend Paid</b>	(1,860)	(2,800)
	<hr/>	<hr/>
<b>Net addition / (reduction) to shareholder's funds</b>	627	(939)
<b>Opening shareholder's funds</b>	<hr/> 5,071	<hr/> 6,010
<b>Closing shareholder's funds</b>	<hr/> <hr/> 5,698	<hr/> <hr/> 5,071

## **NOTES TO THE ACCOUNTS**

**Year ended 31 December 2012**

### **1. ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The particular accounting policies adopted are described below. Except where stated below these have been applied consistently throughout the current and preceding year.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of BASF Societas Europaea, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

#### **Going Concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 2 and 3.

The company has considerable financial resources with long-term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Turnover**

Turnover for the year represents the invoice value, excluding value added tax, of goods and services supplied to customers, and commission received.

#### **Tangible fixed assets**

Depreciation is not provided on freehold land or assets in the course of construction. On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Buildings	3% per annum
Plant, machinery, fixtures, fittings, tools and equipment	10% to 25% per annum

#### **Stocks**

Stocks are valued at the lower of cost, determined on a weighted average basis, and net realisable value. Cost represents cost of materials, labour and appropriate overheads.

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**NOTES (continued)**

**1 ACCOUNTING POLICIES (continued)**

**Deferred taxation**

Deferred taxation is provided on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Foreign exchange**

Assets and liabilities stated in foreign currencies are translated into sterling at the exchange rates ruling at the year end. Exchange profits and losses realised on trading transactions are included in the trading results.

**Pension costs**

The company makes pension contributions to the BASF UK Group Pension Scheme on behalf of its employees. Pension costs to the group's defined contribution pension scheme are charged to the profit and loss account as incurred.

The company has adopted FRS17. This is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities. Contributions are charged to the profit and loss account as they become payable.

**Research and Development**

All Research and Development expenditure is charged to the Profit and Loss Account in the year it is incurred.

**Government grants**

Government grants are accounted for by setting up a deferred credit account and releasing this to the profit and loss account over the useful lives of the assets to which the grants relate.

**Leases**

Rentals are charged to the profit and loss in equal annual amounts over the lease term.

**2. TURNOVER**

The turnover of the company arose principally in the United Kingdom and from the principal activity of the company.

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2012 £'000	2011 £'000
<b>Directors' emoluments</b>		
Remuneration	140	132
Pension costs – defined contribution	13	10
	<u>153</u>	<u>142</u>

The above amounts do not include any gains made on the exercise of share options. No directors exercised share options in the period (2011: Nil).

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**NOTES (continued)**

**3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	Number	Number
Number of directors for which the company is contributing to Defined contribution scheme	<u>1</u>	<u>1</u>
<b>Average number of persons employed</b>		
Production	23	24
Sales and technical	27	24
Administration	8	8
	<u>58</u>	<u>56</u>
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,717	2,869
Social security costs	296	333
Pension costs	411	279
	<u>3,424</u>	<u>3,481</u>

**4. OPERATING PROFIT**

	2012	2011
	£'000	£'000
<b>Operating profit is after charging/(crediting):</b>		
Depreciation		
Owned assets	300	339
Research and Development	757	875
Rentals under operating leases		
Other operating leases	-	41
Exchange gains	29	9
Amortisation of government grants	(1)	(2)
Auditor's remuneration - audit fees	<u>19</u>	<u>18</u>



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**NOTES (continued)**

**5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	2012 £'000	2011 £'000
Receivable from group undertaking	<u>9</u>	<u>9</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2012 £'000	2011 £'000
Loans repayable within five years	<u>-</u>	<u>2</u>
Interest payable relates to group loans		

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**a) Analysis of charge in the period**

	2012 £'000	2011 £'000
<b>Current tax:</b>		
United Kingdom corporation tax at 24.5% (2011: 26.5%) based on the profit for the year	879	728
Adjustment in respect of prior years	<u>(29)</u>	<u>-</u>
<b>Total current tax (note 7b)</b>	<u>850</u>	<u>728</u>
<b>Deferred tax (note 14):</b>		
Timing differences, origination and reversal	(24)	-
Adjustments in respect of prior years	<u>(8)</u>	<u>5</u>
<b>Total deferred tax</b>	<u>(32)</u>	<u>5</u>
	<u>818</u>	<u>733</u>

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**NOTES (continued)**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

**b) Factors affecting tax charge for the period**

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

The tax assessed for the period differs from the standard rate of corporation tax in the UK 24.5% (2011 26.5%). The differences are explained below.

	2012 £'000	2011 £'000
<b>Current Tax Reconciliation</b>		
Profit on ordinary activities before tax	3,305	2,594
Standard rate of corporation tax at 24.5% (2011 26.5%)	810	687
<b>Factors affecting charge:</b>		
Disallowable expenses	11	6
Fixed asset timing differences	40	41
Other short term timing differences	18	(6)
Adjustment in respect of prior years	(29)	-
<b>Current tax charge for the year (note 7a)</b>	850	728

**8. DIVIDENDS**

	2012 £'000	2011 £'000
Final dividend	1,860	2,800
Interim paid £nil per ordinary share (2011 £nil)		

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**NOTES (continued)**

**9. TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures, fittings, tools and equipment £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2012	3,961	6,124	1,754	69	11,908
Additions	-	34	63	-	97
Transfers	-	67	-	(67)	-
At 31 December 2012	<u>3,961</u>	<u>6,225</u>	<u>1,817</u>	<u>2</u>	<u>12,005</u>
<b>Accumulated depreciation</b>					
At 1 January 2012	2,230	5,634	1,691	-	9,555
Charge for the year	176	96	28	-	300
At 31 December 2012	<u>2,406</u>	<u>5,730</u>	<u>1,719</u>	<u>-</u>	<u>9,855</u>
<b>Net book value</b>					
At 31 December 2012	<u>1,555</u>	<u>495</u>	<u>98</u>	<u>2</u>	<u>2,150</u>
At 31 December 2011	<u>1,731</u>	<u>490</u>	<u>63</u>	<u>69</u>	<u>2,353</u>

**10. STOCKS**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Raw materials and consumables	1,792	1,986
Finished goods and goods for resale	775	1,297
	<u>2,567</u>	<u>3,283</u>

**11. DEBTORS**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Trade debtors	6,600	5,643
Amounts owed by group undertakings	2,629	2,092
Deferred tax asset (note 14)	117	85
Prepayments and accrued income	30	31
Other debtors	2	-
	<u>9,378</u>	<u>7,851</u>

All amounts are due within one year

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**NOTES (continued)**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012 £'000	2011 £'000
Trade creditors	562	730
Amounts owed to group undertakings	4,686	5,682
Current corporation tax	1,563	775
Accruals and deferred income	1,079	786
Other taxes and social security	477	434
	<u>8,367</u>	<u>8,407</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2012 £'000	2011 £'000
Accruals and deferred income	<u>30</u>	<u>31</u>

Accruals and deferred income includes £22,272 (2011 £24,060) due after more than five years

**14. DEFERRED TAX**

	2012 £'000	2011 £'000
Deferred tax asset (see note 11)	<u>117</u>	<u>85</u>
<b>Deferred tax</b>		
Balance at 1 January	85	90
Profit and loss account	<u>32</u>	<u>(5)</u>
Balance at 31 December	<u>117</u>	<u>85</u>

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**NOTES (continued)**

**14. DEFERRED TAX (continued)**

The amounts of deferred taxation provided and unprovided are as follows

	Provided 2012 £'000	Provided 2011 £'000	Not provided 2012 £'000	Not provided 2011 £'000
Capital allowances in excess of depreciation	(62)	(43)	-	-
Short-term timing differences	(55)	(42)	-	-
	<u>(117)</u>	<u>(85)</u>	<u>-</u>	<u>-</u>

**15. CALLED UP SHARE CAPITAL**

	2012 £'000	2011 £'000
Authorised, allotted and fully paid 2,250,000 ordinary shares of £1 each	<u>2,250</u>	<u>2,250</u>

**16. FINANCIAL COMMITMENTS**

	2012 £'000	2011 £'000
<b>Capital commitments</b>		
Contracted but not provided	<u>-</u>	<u>-</u>

**Operating lease commitments**

At 31 December 2012, annual commitments under non-cancellable operating leases are as follows

	Other 2012 £'000	Other 2011 £'000
Operating leases which expire		
Within one year	-	44
In the second to fifth years inclusive	-	-
	<u>-</u>	<u>44</u>

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**17. PENSION SCHEME**

The company participates in the BASF (UK) Group Pension Scheme, which all permanent employees of BASF companies in the UK are eligible to join. There are two sub-schemes, one is a defined benefit plan while the other is a defined contribution plan. The company introduced the defined contribution plan on 6 April 1998 for new employees. Employees who were already members of the defined benefit plan were offered the opportunity to transfer to the new defined contribution plan. From 1 April 2012 any remaining members of the defined benefit plan were transferred to the defined contributions plan, and the defined benefit plan was closed to future accrual. Assets are held in separate trustee administered funds.

The charge to the profit and loss account in respect of the pension scheme was £7,475,000 (2011 £5,304,000), of which £nil (2011 nil) contributions are outstanding at the balance sheet date.

The BASF (UK) Pension Scheme ("Scheme") is a multi-employer scheme covering the majority of BASF companies in the UK. BASF PLC is unable to identify its share of the underlying assets (and liabilities) of the Scheme because the assets are not separately assigned to the individual members. The assets of the scheme are invested on an aggregated basis with no identification of assets relating to an individual employer. A proportion of the liability within the scheme for deferred and pensioner members relates to employers who no longer participate in the scheme. Contributions are set for the scheme as a whole rather than reflecting the actuarial characteristics of the employees of the individual employer. Splitting the scheme in these circumstances would have to be done in an arbitrary manner and would therefore not reflect a realistic value. As a result the company has taken advantage of the exemption permitted by FRS 17 not to bring the assets and liabilities of the scheme onto the company balance sheet.

FRS17, under the multi-employer accounting rules, requires the company to account for its defined benefit scheme as a defined contribution scheme. The future contributions of the company will be affected by the surplus on the group scheme, details of which are disclosed below.

The BASF (UK) Group Pensions Scheme had a surplus of £0.7 million on a FRS17 basis as at 31 December 2012. The gross liabilities of the scheme are £480.3 million. The main assumptions used in the calculation of this surplus are summarised below.

	As at 31 December 2012	As at 31 December 2011
<b>Assumptions</b>		
Discount Rate	4.40%pa	4.90%pa
Price inflation	2.20%pa	2.00%pa
Salary increases	3.80%pa	4.00%pa
<b>Pension increases in payment</b>		
Pre April 1997 service – guaranteed *	2.70%pa	2.90%pa
Pre April 1997 service – discretionary *	1.30%pa	1.50%pa
April 1997 – May 2005 service	2.70%pa	2.90%pa
Post May 2005 service	1.80%pa	2.00%pa

\* Some sections of the Pension Scheme provide guaranteed increases on this element of pension others provide discretionary increases.

During the year BASF Plc made a special contribution of £5,800,000 (2011 £2,300,000) to the BASF Group Pension Scheme. This payment was made to address the funding deficit which was identified and agreed with the Trustees of the pension scheme.

Additional contributions to the defined benefit plan were agreed with the Pension Trustees as part of a recovery plan following the last scheme valuation on 31 December 2009. This recovery plan requires additional contributions of £4.0 million per annum up to 2016. The next valuation on behalf of the Trustees will be based on the situation at 31 December 2012.

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**18. ULTIMATE AND IMMEDIATE PARENT COMPANIES**

The immediate parent company is BASF Polyurethanes GmbH and the ultimate parent company is BASF Societas Europaea ("BASF SE"). These companies are registered in Germany. Copies of BASF SE's consolidated financial statements may be obtained from BASF Societas Europaea, D67056 - Ludwigshafen, Germany.

**19. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption for 90% plus subsidiaries as stated in FRS 8 to exclude disclosure of transactions between such parties.