

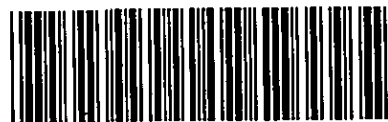


**BTC Speciality Chemical
Distribution Limited**

**Directors' report and financial
statements**

**Registered number 1241117
For the year ended 31 December 2011**

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011

Review of activities and future prospects

BTC is a pan European Sales organisation of BASF SE focussed on speciality chemicals and performance polymers. It offers the competence and the continuity of the world's leading chemical company, combined with the flexibility and speed of our regional distribution companies. In 2011 BTC Europe recorded an annual turnover of €507 million. BTC sells and markets the full range of BASF SE's speciality chemicals and performance polymers as well as selected complementary 3rd party products. In addition BTC manages logistics activities, provides technical support and a variety of added value services to support customers. BTC Europe consists of 7 operations which are managed locally to ensure they fulfil local market requirements. 10 warehouses across Europe provide the ability to move specialist stock across borders. Each BTC company has an external sales force structured by industry sector and use the same SAP based IT System. All BTC companies are ISO 9001 registered.

In 2011 BTC UK, operating under the Trading name of BTC Speciality Chemical Distribution Limited recorded an annual turnover of £15 million compared to £35 million in 2010. From April 2011 the BTC business model changed as BTC UK became agents of BTC GmbH. All stock was sold to BTC GmbH and all customers became part of BTC GmbH and a commission agreement now operates between BTC GmbH and BTC UK.

Debtors days increased from 48 days in 2010 to 56 days in 2011, mainly due to the change in business model.

In 2012 as part of the BTC network, the company shall continue to concentrate on the development of speciality chemical distribution within the UK and Ireland.

The main risks and uncertainties for BTC UK are a declining UK Manufacturing market, the inherent risk of product obsolescence due to competitors developing technically superior products and also the risk of a major incident involving a chemical leak and contamination. The current global economic crisis has of course led to heightened risk awareness for the management of our debtors but we believe our processes are strong enough to mitigate the risk of bad debts. The additional business risk should the general economy worsen further and demand for our products fall is difficult to predict, however, the business is optimistic that it is well placed to manage a general downturn in demand or particular sector due to its efficient structures and wide portfolio of products.

Result and dividend

The profit after taxation for the financial year amounted to £1,426,000 (2010 £2,009,000)

The directors do not recommend a payment of a final dividend (2010 nil). An interim dividend of £2,121,000/£192.82 per ordinary share was paid in 2011 (2010 £nil).

Directors and directors' interests

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

| | |
|-------------|---|
| T B Jensen | Director |
| A Riehemann | Director (Resigned 31 st Jan 2012) |
| D Budd | Director |
| S Hatton | Company Secretary |

Employees

The company has continued its policy of maintaining employee awareness by communicating with employees on all matters of concern. In particular, all employees are kept aware of the financial and economic factors affecting the performance of the company.

The company operates a profit sharing scheme for the benefit of employees.

Directors' report (*continued*)

Employment of disabled persons

The company gives full and fair consideration to employment applications from disabled persons, having regard to the aptitudes and abilities of the applicant and the nature of work involved. The company uses all reasonable endeavours to provide continued and any necessary retraining to any employees becoming disabled during employment, and to give all employees equal opportunities for training, career development and promotion.

Health and safety at work

The company gives high priority to providing a safe and healthy environment for all employees and contractors and is determined to maintain its good record for the preservation of health, safety and the environment.

Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £nil (2010 nil).

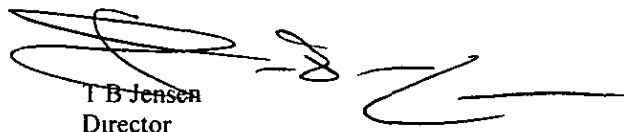
Disclosure of information to auditors

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 auditors are unaware, and each director has taken all the steps that he 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.

Auditors

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



T B Jensen
Director

Registered office

Earl Road
Cheadle Hulme
Cheadle
Cheshire
SK8 6QG

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 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 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 BTC Speciality Chemical Distribution Limited

We have audited the financial statements of BTC Speciality Chemical Distribution Limited for the year ended 31 December 2011 set out on pages 6 to 18. 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 auditors

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 APB's web-site at www.frc.org.uk/apb/scope/private.cfm

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 2011 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 BTC Speciality Chemical Distribution 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

 13 June 2012

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

Profit and loss account
 for the year ended 31 December 2011

| | <i>Note</i> | 2011 £000 | 2010 £000 |
|--|-------------|----------------------|----------------------|
| Turnover | 2 | 15,286 | 35,216 |
| Cost of Sales | | (10,462) | (28,338) |
| | | <hr/> | <hr/> |
| | | 4,824 | 6,878 |
| Distribution Costs | | (162) | (556) |
| Administration expenses | 3 | (2,885) | (3,634) |
| Other operating income | | 141 | 92 |
| | | <hr/> | <hr/> |
| Operating profit | | 1,918 | 2,780 |
| Other interest receivable and similar income | 6 | 29 | 27 |
| Interest payable and similar charges | 7 | - | (1) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | 2-7 | 1,947 | 2,806 |
| Tax on profit on ordinary activities | 8 | (521) | (797) |
| | | <hr/> | <hr/> |
| Profit for the financial year | | 1,426 | 2,009 |
| | | <hr/> | <hr/> |

Statement of total recognised gains and losses

There have been no recognised gains and losses other than those passing through the profit and loss account in the current or preceding year

The notes from page 9 to 18 form part of the financial statements

Balance sheet
At 31 December 2011

| | <i>Note</i> | 2011 £000 | £000 | 2010 £000 | £000 |
|--|-------------|----------------------|--------------|----------------------|--------------|
| Current assets | | | | | |
| Stocks | 10 | - | | 2,402 | |
| Debtors | 11 | 7,576 | | 8,875 | |
| Cash at bank and in hand | | - | | 154 | |
| | | <u>7,576</u> | | <u>11,431</u> | |
| Creditors amounts falling due within one year | 12 | (2,400) | | (5,560) | |
| Net current assets | | | 5,176 | | 5,871 |
| Total assets less current liabilities | | | 5,176 | | 5,871 |
| Creditors amount falling due after more than one year | 13 | | (11) | | (11) |
| Net assets | | | 5,165 | | 5,860 |
| Capital and reserves | | | | | |
| Called up share capital | 14 | - | | - | |
| Profit and loss account | 15 | 5,165 | | 5,860 | |
| Shareholders' funds | | | 5,165 | | 5,860 |

These financial statements were approved by the board of directors on 11/15 2012 and were signed on its behalf by


T B Jensen
Director

Company registered number 1241117

The notes from page 9 to 18 form part of the financial statements

Reconciliation of movements in shareholders' funds
 for the year ended 31 December 2011

| | <i>Note</i> | 2011 £000 | 2010 £000 |
|---|-------------|----------------------------|----------------------------|
| Profit for the financial year | | 1,426 | 2,009 |
| Dividends on shares classified in shareholders' funds | 9 | 2,121 | - |
| Net (Decrease)/Increase in shareholders' funds | | (695) | 2,009 |
| Opening shareholders' funds | | 5,860 | 3,851 |
| Closing shareholders' funds | | 5,165 | 5,860 |

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under Financial Reporting Standard 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.

The company's accounts are consolidated into the group accounts of BASF SE, a company incorporated in Germany (note 20).

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on page 1. The company has considerable financial resources and the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain 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 for accounting in preparing the annual financial statements.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company makes pension contributions to the BASF UK Group Pension Scheme (the Scheme) on behalf of its employees. There are two sub-schemes, one is of the defined benefit type, while the other is a defined contribution plan. The defined benefit scheme is accounted for as a multi-employer scheme under FRS17. Contributions are charged to the profit and loss account as they become payable. The employer's pension costs for the defined contribution plan are charged to the profit and loss account as they become payable.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a rights to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Turnover

Turnover for the year represents the invoiced value, excluding value added tax, of goods and services supplied to customers. Revenue is recognised when the goods are despatched to the customer

Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares in BASF SE are recognised over the period of the employee's related performance. No cost is recognised in respect of SAYE schemes that are offered on similar terms to all or substantially all employees

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

| | 2011 Turnover £000 | 2010 Turnover £000 | 2011 Profit before taxation £000 | 2010 Profit before taxation £000 |
|---|--------------------------|--------------------------|---|---|
| <i>By activity</i> | | | | |
| Sales and distribution of chemical products | 15,286 | 35,216 | 1,947 | 2,806 |

All turnover arises on sales made from the United Kingdom Turnover of the company by destination is as follows

| | 2011 £000 | 2010 £000 |
|-------------------------------|--------------|--------------|
| <i>By geographical market</i> | | |
| United Kingdom | 8,858 | 31,301 |
| Germany | 5,652 | 1,220 |
| Other | 776 | 2,695 |
| | 15,286 | 35,216 |

3 Profit and loss account

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging</i> | | |
| Rentals under operating lease agreements | 79 | 71 |
| <i>Auditor's remuneration</i> | | |
| | 2011 £000 | 2010 £000 |
| Amounts receivable by the auditors and their associates in respect of | | |
| Audit of financial statements of subsidiaries pursuant to legislation | 11 | 12 |

4 Remuneration of directors

| | 2011 £000 | 2010 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 140 | 98 |

Notes (continued)

5 Staff numbers and costs

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

| | Number of Employees | |
|------------------------|---------------------|-------|
| | 2011 | 2010 |
| Sales and distribution | 26 | 23 |
| Administration | 4 | 5 |
| | <hr/> | <hr/> |
| | 30 | 28 |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows

| | 2011 £000 | 2010 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 1,413 | 1,322 |
| Social security costs | 149 | 125 |
| Other pension costs | 132 | 92 |
| | <hr/> | <hr/> |
| | 1,694 | 1,539 |
| | <hr/> | <hr/> |

6 Other interest receivable and similar income

| | 2011 £000 | 2010 £000 |
|--------------------------|--------------|--------------|
| Bank interest receivable | 29 | 27 |
| | <hr/> | <hr/> |

7 Interest payable and similar charges

| | 2011 £000 | 2010 £000 |
|-------------------------------|--------------|--------------|
| Payable to group undertakings | - | 1 |
| | <hr/> | <hr/> |

Notes (continued)

8 Taxation

Analysis of charge in period

| | 2011 £000 | £000 | 2010 £000 | £000 |
|--|--------------|-------|--------------|-------|
| <i>UK corporation tax</i> | | | | |
| Current tax on income for the period | 525 | | 795 | |
| Adjustments in respect of prior periods | (7) | | (3) | |
| | <hr/> | | <hr/> | |
| Total current tax | | 518 | | 792 |
| <i>Deferred tax (see note 11)</i> | | | | |
| Origination/reversal of timing differences | 2 | | 6 | |
| Adjustment in respect of previous years | 1 | | (1) | |
| | <hr/> | | <hr/> | |
| Total deferred tax | | 3 | | 5 |
| | | <hr/> | | <hr/> |
| Tax on profit on ordinary activities | | 521 | | 797 |
| | | <hr/> | | <hr/> |

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2010 higher) than the standard rate of corporation tax in the UK (26.5%, 2010 28%). The differences are explained below

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 1,947 | 2,806 |
| | <hr/> | <hr/> |
| Current tax at 26.5% (2010 28%) | 516 | 786 |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | 11 | 15 |
| Capital allowances for period in excess of depreciation | (2) | (3) |
| Other timing differences | - | (3) |
| Adjustments to tax charge in respect of previous periods | (7) | (3) |
| | <hr/> | <hr/> |
| Total current tax charge | 518 | 792 |
| | <hr/> | <hr/> |

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 26% was substantively enacted on 29 March 2011 and was effective from 1 April 2011. The Budget on 21 March 2012 announced that the UK corporation tax rate would reduce by an additional 1 percent to 24% from April 2012 with further reductions to 23% in 2013 and 22% in 2014. The reduction in the rate from 26% to 25% with effect from 1 April 2012 was substantively enacted on 5 July 2011. The tax disclosures for the period reflect the deferred tax at the 25% substantively enacted rate. It has not yet been possible to quantify the full anticipated effect of further rate reductions, although this will further reduce the Company's future tax charge [and reduce the Company's deferred tax liabilities/ assets accordingly].

Notes (continued)

9 Dividends

The aggregate amount of dividends comprises

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Interim dividend paid of £192 82 (2010 £nil) per ordinary share paid in respect of the current year | 2,121 | - |

10 Stocks

| | 2011 £000 | 2010 £000 |
|-------------------------------------|--------------|--------------|
| Finished goods and goods for resale | - | 2,402 |

The estimated replacement cost of stocks does not differ materially from the amounts above

11 Debtors

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Trade debtors | 14 | 4,704 |
| Amounts owed by group undertakings | 801 | 4,130 |
| Prepayments and accrued income | 37 | 28 |
| Deferred taxation | 10 | 13 |
| Taxation and social security | 75 | - |
| Other receivables by group undertakings | 6,639 | - |
| | 7,576 | 8,875 |

| | Deferred Taxation £000 |
|---|------------------------------|
| At the beginning of the year | 13 |
| Debit to the profit and loss for the year | (3) |
| At the end of the year | 10 |

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| The elements of deferred taxation are as follows | | |
| Difference between accumulated depreciation and amortisation and capital allowances | 10 | 13 |
| | 10 | 13 |

Notes (continued)

12 Creditors: amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Trade creditors | 21 | 187 |
| Amounts owed to other group undertakings | 353 | 2,851 |
| Corporation Tax | 1,680 | 1,702 |
| Taxation and social security | 26 | 352 |
| Other creditors | - | 1 |
| Accruals and deferred income | 320 | 467 |
| | <u>2,400</u> | <u>5,560</u> |

13 Creditors: amount falling due after one year

Deferred ordinary shares of £1 each

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| The deferred ordinary shares of £1 each have the following rights attached | | |
| - 5% fixed non cumulative dividend for any financial year in which the net profits of the company available for dividend exceed £10,000,000 | 11 | 11 |
| - an entitlement to receive the capital paid up after a total £1,000 has been distributed in respect of each of the ordinary shares | | |
| - no entitlement to attend or vote at any General Meeting of the company | | |

14 Called up share capital

| | 2011 £ | 2010 £ |
|--|-------------------|-------------------|
| Authorised, 900,000 ordinary shares of 1 pence each | 9,000 | 9,000 |
| | <u> </u> | <u> </u> |
| Called up, allotted and fully paid 11,000 ordinary shares of 1 pence each | 110 | 110 |
| | <u> </u> | <u> </u> |

Notes (continued)

15 Reserves

| | Profit and loss account £000 |
|-----------------------|---------------------------------------|
| At beginning of year | 5,860 |
| Interim dividend paid | (2,121) |
| Profit for the year | 1,426 |
| At end of year | <u>5,165</u> |

16 Contingent liabilities and assets

The company is part of a composite guarantee arrangement with other BASF plc UK group companies. The maximum liability at any time is the credit balance on the account with HSBC plc. As at 31 December 2011 and 31 December 2010 no such liability existed.

17 Commitments

Annual commitments under non-cancellable operating leases are as follows

| | 2011 Other £000 | 2010 Other £000 |
|--|-----------------------|-----------------------|
| Operating leases which expire | | |
| Within one year | 17 | 7 |
| In the second to fifth years inclusive | 42 | 74 |
| | <u>59</u> | <u>81</u> |

18 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 of the defined benefit type while the other is a defined contribution plan which the company introduced on 6 April 1998 for future employees. Employees who were already members of the existing scheme were offered the opportunity to transfer to the new plan, which forms a separate section of the existing scheme. Assets are held in separate trustee administered funds.

The charge to the profit and loss account in respect of the pension scheme was £132,000 (2010 £92,000), of which £nil (2010 nil) contributions are outstanding at the balance sheet date.

The BASF (UK) Pension Scheme ("Scheme") is a multi-employer scheme covering all 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 deficit on the group scheme, details of which are disclosed below.

The BASF (UK) Group Pensions Scheme had a deficit, measured on an FRS17 basis of £0.2 million as at 31 December 2011. The gross liabilities of the scheme are £409.4 million. The main assumptions used in the calculation of this deficit are summarised below.

| | As at 31 December 2011 | As at 31 December 2010 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

Assumptions

| | | |
|------------------|---------|---------|
| Discount Rate | 4.90%pa | 5.50%pa |
| Price inflation | 2.00%pa | 3.00%pa |
| Salary increases | 4.00%pa | 4.50%pa |

Pension increases in payment

| | | |
|--|----------|------------------|
| Pre April 1997 service – guaranteed * | 2.90%pa | 3.40% pa |
| Pre April 1997 service – discretionary * | 1.50% pa | ** 0% - 2.00% pa |
| April 1997 – May 2005 Service | 2.90%pa | 3.40% pa |
| Post May 2005 service | 2.00%pa | 2.30% pa |

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

** 0% for 1 year (in line with the recovery period agreed for the funding of the Pension Scheme), 2% thereafter.

The contribution rate for the defined scheme has been set at 17.1% based on the latest valuation performed at 31 December 2009.

During the year BASF Plc made a special contribution of £2,300,000 (2010: £nil) 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.

19 Related party disclosures

The directors have taken advantage of the provisions of FRS8 'Related Party Disclosures' not to disclose transaction between subsidiaries of BASF SE.

Notes (continued)

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's immediate parent company is BASF plc, a company incorporated in Great Britain and registered in England and Wales

BASF Societas Europaea ("BASF SE"), a company incorporated in Germany, is the ultimate parent company and is the parent of the largest group of companies to prepare consolidated financial statements. Copies of BASF SE consolidated financial statements may be obtained from

Press Offices
Dept ZOA/P
BASF SE
D67056
Ludwigshafen
Germany

In the opinion of the directors of the company, the company is controlled by BASF SE