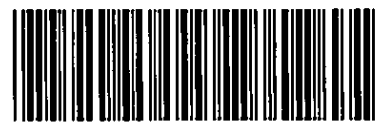


BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED)

Report and Financial Statements

31 December 2009

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BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED)
Directors' Report and Financial Statements
31 December 2009

REPORT AND FINANCIAL STATEMENTS

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BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr W Stegh (Chairman - German)
Dr U Hartwig (German)
Mr C R Dunn
Mr T Jensen (Danish)

SECRETARY

Mr S Hatton

REGISTERED OFFICE

BASF Polyurethanes U K Limited
Alfreton Trading Estate
Wimsey Way
Somercoates
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

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

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 integrated part of the BASF Polyurethanes group, in developing polyurethane systems to meet the needs of current and future customers in the UK and Ireland polyurethane systems market. The company benchmarks its sales and manufacturing activities with similar companies in the BASF Polyurethanes group to identify potential efficiency opportunities

Trends and Factors affecting Performance

The dramatic downturn in the first half of 2009 has had its impact on the sales and profitability of BASF Polyurethanes U K Limited as many of our customers have struggled to come to terms with significantly lower demand from their customers

There has been an ongoing focus on opportunities to reduce fixed costs within the company. The events of the first half of 2009 added further pressure to these efforts. This has resulted in a reduction in cost in some areas whilst we have invested in other areas to secure the longer term profitability of the company

External Environment and Industry Changes affecting Performance

We continue to face the challenge of traditional UK based industries relocating to lower cost regions elsewhere in the world. This has resulted in reduced sales in segments such as shoe manufacture where we once had a significant presence. Today, the manufacture of polyurethane-based shoes has largely been transferred to South East Asia. The manufacture of domestic appliance is now following a similar trend. The only difference being that the new manufacturing sites are often to be found in Eastern Europe

The focus of the company is on supplying formulated systems to its customers. Moves towards self-formulation can impact profitability, at least in the short term

RISK AND UNCERTAINTY

Commercial Risk

The global recession has had a major impact on the supply / demand balance of raw materials. Previous fears relating to growing world-wide demand and the possibility of this demand out-pacing the building of new plants are, at least for the time being, not such a significant concern

Almost all raw materials used by the company are imported from mainland Europe. Consequently the decline in the value of Sterling in relation the Euro has impacted adversely on the company's profitability as it proved difficult to pass on the full impact to our customers

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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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 (2008 3.9%)

DSO (Days of debtors sales outstanding) 55 days (2008 59 days)

DIV (Days of inventory) 33 days (2008 36 days)

Non Financial

The Company have several non financial indicators to monitor plant performance including production volume measures, right first time levels and non conforming stock levels targets

EMPLOYEE INVOLVEMENT

Crucial to the success of the company is its well-motivated employees. This is achieved by the participation of all employees in the setting of targets and regular and full briefings on the company's performance.

All employees receive payments linked to their personal performance and to the company's performance.

SUPPLIER PAYMENT POLICY

The company pays its suppliers to the agreed terms of business.

POLITICAL AND CHARITABLE DONATIONS

There were no political donations during the year (2008 *£nil*). Charitable gifts during the year totalled £701.00 (2008 *£1,280*).

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Company have continued to look for opportunities in segments where we have a low market share as well as investing in new segments of both the Insulation and Specialties businesses. Whilst the move of major formulated system customers to self-formulation impacts on the volumes we sell, we believe that we can continue to replace this business over the longer term.

DIVIDENDS AND TRANSFERS TO RESERVES

The profit after taxation for the financial year amounted to £1,684,000 (2008 *£1,179,000*). A Dividend of £1,000,000 has been paid in this year (2008 *£1,200,000*).

DIRECTORS AND THEIR INTERESTS

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

Mr C R Dunn	(Managing Director)
Mr W Stegh	(German) (Chairman)
Dr U Hartwig	(German)
Mr T Jensen	(Danish)

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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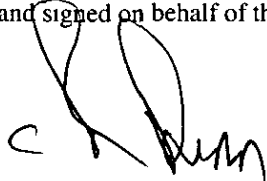
DISCLOSURE OF INFORMATION TO THE AUDITORS

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 himself 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

A handwritten signature in black ink, appearing to read 'C R Dunn', is written over the text 'and signed on behalf of the Board'.

C R DUNN

Director

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
Statements
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**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 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 AUDITORS' REPORT TO THE MEMBERS OF BASF POLYURETHANES U.K. LIMITED (FORMERLY ELASTOGRAN U.K. LIMITED)

We have audited the financial statements of BASF Polyurethanes U K Limited (formerly Elastogran U K Limited) for the year ended 31 December 2009 set out on pages 8 to 20. 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 auditors' 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 5, 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 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/UKNP.

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 2009 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 AUDITORS' REPORT TO THE MEMBERS OF BASF POLYURETHANES U.K. LIMITED (FORMERLY ELASTOGRAN 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



15 July 2010

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

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
Statements
31 December 2009

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
TURNOVER FROM CONTINUING OPERATIONS	2	35,424	47,551
Cost of sales		(28,881)	(41,391)
Gross profit		<u>6,543</u>	<u>6,160</u>
Distribution costs		(3,765)	(3,917)
Administrative expenses		(366)	(411)
		<u>(4,131)</u>	<u>(4,328)</u>
OPERATING PROFIT FROM CONTINUING OPERATIONS	4	2,412	1,832
OTHER			
Interest receivable and similar income	6	6	149
Interest payable and similar charges	5	(26)	(309)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,392</u>	<u>1,672</u>
Tax on profit on ordinary activities	7	(708)	(493)
PROFIT FOR THE FINANCIAL YEAR		<u><u>1,684</u></u>	<u><u>1,179</u></u>

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2009

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

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
Statements
31 December 2009

BALANCE SHEET at 31 December 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	9	2,781	3,039
CURRENT ASSETS			
Stocks	10	2,231	2,703
Debtors (including £19,955 (2008 £39,955) due after more than one year)	11	6,255	7,029
Cash at bank and in hand		135	138
		8,621	9,870
CREDITORS: amounts falling due within one year	12	(5,675)	(7,822)
NET CURRENT ASSETS		2,946	2,048
TOTAL ASSETS LESS CURRENT LIABILITIES		5,727	5,087
CREDITORS: amounts falling due after more than one year	13	(35)	(79)
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	-
		5,692	5,008
CAPITAL AND RESERVES			
Called up share capital	15	2,250	2,250
Profit and loss account		3,442	2,758
Shareholder's funds		5,692	5,008

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

4 June 2010


C R DUNN

Director

REGISTRATION NUMBER 702844

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
Statements
31 December 2009

RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS
Year ended 31 December 2009

	2009 £'000	2008 £'000
Profit for the financial year	1,684	1,179
Dividend Paid	(1,000)	(1,200)
	<hr/>	<hr/>
Net addition (reduction) to shareholder's funds	684	(21)
Opening shareholder's funds	<hr/> 5,008	<hr/> 5,029
Closing shareholder's funds	<hr/> <hr/> 5,692	<hr/> <hr/> 5,008

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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31 December 2009

NOTES TO THE ACCOUNTS
Year ended 31 December 2009

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.

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.

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

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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NOTES TO THE ACCOUNTS
Year ended 31 December 2009

1 ACCOUNTING POLICIES (continued)

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.

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.

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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NOTES TO THE ACCOUNTS
Year ended 31 December 2009

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

	2009	2008
	£'000	£'000
Directors' emoluments		
Remuneration	153	144
Pension costs – defined contribution	48	60
	<u>201</u>	<u>204</u>

The above amounts do not include any gains made on the exercise of share options No directors exercised share options in the period (2008 one)

	No	No
Number of directors for which the company is contributing to Defined contribution scheme	<u>1</u>	<u>1</u>

Average number of persons employed

Production	21	21
Sales and technical	21	20
Administration	9	10
	<u>51</u>	<u>51</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2009	2008
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	2,192	2,357
Social security costs	249	245
Pension costs	218	216
	<u>2,659</u>	<u>2,818</u>

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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NOTES TO THE ACCOUNTS
Year ended 31 December 2009

4. OPERATING PROFIT

	2009	2008
	£'000	£'000
Operating profit is after charging/(crediting):		
Depreciation		
Owned assets	431	509
Research and Development	515	667
Rentals under operating leases		
Other operating leases	52	49
Exchange gains / (losses)	42	9
Amortisation of government grants	(2)	(2)
Auditors' remuneration - audit fees	18	20
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£'000	£'000
Loans repayable within five years	26	309
	<u> </u>	<u> </u>
Interest payable relates to group loans		

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£'000	£'000
Receivable from group undertaking	6	145
Other	-	4
	<u> </u>	<u> </u>
	<u>6</u>	<u>149</u>

BASF POLYURETHANES U.K. LIMITED
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NOTES TO THE ACCOUNTS
Year ended 31 December 2009

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in the period

	2009	2008
	£'000	£'000
Current tax:		
United Kingdom corporation tax at 28% (2008 28.5%) based on the profit for the year	726	551
Adjustment in respect of prior years	-	(3)
Total current tax (note 7b)	<u>726</u>	<u>548</u>
Deferred tax (note 14):		
Timing differences, origination and reversal	(21)	(32)
Adjustments in respect of prior years	3	(23)
Total deferred tax	<u>(18)</u>	<u>(55)</u>
	<u>708</u>	<u>493</u>

b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (28%). The differences are explained below

	2009	2008
	£'000	£'000
Profit on ordinary activities before tax	<u>2,392</u>	<u>1,672</u>
Standard rate of corporation tax at 28% (2008 28.5%)	670	468
Factors affecting charge:		
Disallowable expenses	8	11
Fixed asset timing differences	53	65
Other short term timing differences	(5)	(3)
Changes in tax rates and laws	-	10
Adjustment in respect of prior years	-	(3)
Current tax charge for the year (note 7a)	<u>726</u>	<u>548</u>

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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NOTES TO THE ACCOUNTS
Year ended 31 December 2009

8. DIVIDENDS

	2009 £'000	2008 £'000
Final dividend	<u>1,000</u>	<u>1,200</u>
Interim paid £nil per ordinary share (2008 £nil)		

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 January 2009	3827	5,931	1,740	-	11,498
Additions	130	24	19	-	173
Disposals	-	-	(51)	-	(51)
At 31 December 2009	<u>3,957</u>	<u>5,955</u>	<u>1,708</u>	<u>-</u>	<u>11,620</u>
Accumulated depreciation					
At 1 January 2009	1,702	5,221	1,536	-	8,459
Charge for the year	176	154	101	-	431
Disposals	-	-	(51)	-	(51)
At 31 December 2009	<u>1,878</u>	<u>5,375</u>	<u>1,586</u>	<u>-</u>	<u>8,839</u>
Net book value					
At 31 December 2009	<u>2,079</u>	<u>580</u>	<u>122</u>	<u>-</u>	<u>2,781</u>
At 31 December 2008	<u>2,125</u>	<u>710</u>	<u>204</u>	<u>-</u>	<u>3,039</u>

10. STOCKS

	2009 £'000	2008 £'000
Raw materials and consumables	1,379	1,579
Work in progress	-	14
Finished goods and goods for resale	852	1,110
	<u>2,231</u>	<u>2,703</u>

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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NOTES TO THE ACCOUNTS
Year ended 31 December 2009

11. DEBTORS

	2009	2008
	£'000	£'000
Trade debtors	5,903	6,263
Amounts owed by group undertakings	207	616
Other debtors	33	83
Prepayments and accrued income	54	27
Deferred tax asset (note 14)	58	40
	<u>6,255</u>	<u>7,029</u>

Included with other debtors is £19,955 (2008 £39,955) due in more than one year. All other amounts are due within one year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£'000	£'000
Trade creditors	501	493
Amounts owed to group undertakings	3,997	6,096
Current corporation tax	457	551
Other taxes and social security	224	155
Accruals and deferred income	496	527
	<u>5,675</u>	<u>7,822</u>

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

	2009	2008
	£'000	£'000
Accruals and deferred income	<u>35</u>	<u>79</u>

Accruals and deferred income includes £27,793 (2008 £33,996) due after more than five years.

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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NOTES TO THE ACCOUNTS
Year ended 31 December 2009

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2009 £'000	2008 £'000
Deferred tax asset (see note 11)	<u>(58)</u>	<u>(40)</u>
Deferred tax		
Balance at 1 January	(40)	15
Profit and loss account	<u>(18)</u>	<u>(55)</u>
Balance at 31 December	<u><u>(58)</u></u>	<u><u>(40)</u></u>

The amounts of deferred taxation provided and unprovided are as follows

	Provided 2009 £'000	Provided 2008 £'000	Not provided 2009 £'000	Not provided 2008 £'000
Capital allowances in excess of depreciation	(9)	15	-	-
Short-term timing differences	<u>(49)</u>	<u>(55)</u>	<u>-</u>	<u>-</u>
	<u><u>(58)</u></u>	<u><u>(40)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

15. CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised, allotted and fully paid		
2,250,000 ordinary shares of £1 each	<u>2,250</u>	<u>2,250</u>

BASF POLYURETHANES U.K. LIMITED
(FORMERLY ELASTOGRAN U.K. LIMITED) Directors' Report and Financial
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31 December 2009

NOTES TO THE ACCOUNTS
Year ended 31 December 2009

16. FINANCIAL COMMITMENTS

	2009 £'000	2008 £'000
Capital commitments		
Contracted but not provided	-	-

Operating lease commitments

At 31 December 2009, annual commitments under non-cancellable operating leases are as follows

	Other 2009 £'000	Other 2008 £'000
Operating leases which expire		
Within one year	11	-
In the second to fifth years inclusive	41	57
	<u>52</u>	<u>57</u>

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 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 BASF (UK) Group Pension Scheme is a multi-employer scheme covering all BASF companies in the UK. BASF Polyurethanes U.K. Limited (formerly Elastogran U.K. Limited) 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.

FRS 17, 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.

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17. PENSION SCHEME (continued)

The BASF (UK) Group Pension Scheme had a deficit, measured on an FRS 17 basis, of £15.17 million as at 31 December 2009. The gross liabilities of the scheme are £389.3 million. The main assumptions used in the calculation of this deficit are summarised below:

	31 st December 2009	31 st December 2008
Assumptions		
Discount Rate	5.75 % p.a.	6.25 % p.a.
Price Inflation	3.75 % p.a.	3.25 % p.a.
Salary Inflation	4.75 % p.a.	4.25 % p.a.
Pensions increases in payment		
Pre April 1997 Service	3.50 % p.a.	3.25 % p.a.
April 1997 to May 2005 service	3.50 % p.a.	3.25 % p.a.
Post May 2005 service	0%/2.25 % p.a.*	2.25 % p.a.

*0% for two years then rpi-1.5% thereafter

The contribution rate for the defined benefit scheme has been set at 10.6% based on the latest valuation performed in January 2005.

The charge to the profit and loss account in respect of the defined benefit pension scheme was £9,760 (2008 £12,000).

18. ULTIMATE AND IMMEDIATE PARENT COMPANIES

The immediate parent company is BASF Polyurethanes GmbH (formerly Elastogran 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 Financial Reporting Standard 8 to exclude disclosure of transactions between such parties.