BASF Metals Recycling Limited

Annual report and Financial Statements

Registered Number 00933890

for the Year Ended 31 December 2018

Contents

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activity
The company's principal activity is the recovery of precious metals from scrap auto catalyst material.

Fair review of the business

Performance
The company made a loss after tax of £3,016,000 (2017: loss of £1,053,000). The business sources material from the auto catalyst market, aligning the operation with the BASF strategy of supporting the supply chain of platinum group metal recovery and products.

Platinum prices in US dollars reduced steadily during the first half of 2018 and after a brief recovery reduced again to finish 19% down on the year at $794 per toz. Similarly, Palladium also reduced in the first half of 2018 and then improved solidly to finish 19% up on the year at $1,263 per toz, with prices in the second half improving 48%. Rhodium prices increased consistently during the year and increased 43% in the year.

The overall impact to the average value of scrap auto catalyst in US dollars was a 9% reduction in the first half of 2018, followed by an 18% increase in the second half, the overall annual change being 8% up during 2018. In pound sterling the annual increase was 14% after taking into account sterling weakening against the US dollar in the year.

As well as the Palladium price increases during the second half of 2018, Palladium leasing rates were also affected by the global market supply. The company incurred losses on unhedged positions during a period of escalating prices and leases rates and the company took up a number of hedging options towards the end of 2018 to minimise the impact of further market fluctuations.

Due to precious metal refinery capacity constraints carrying over from 2017 into 2018, volume throughput was limited in the first quarter of 2018. Thereafter volume grew rapidly and peaked in the fourth quarter of 2018, resulting in an annual growth of 28%. The growth in volume resulted in some expansion of operations to maintain the turnaround time for obtaining the analytical result of customer material, ensuring that customers realise the value of the auto catalyst scrap at the soonest opportunity.

The change in open precious metal trading positions between year end 2017 to 2018 resulted in an increase in cash from trades being deposited within the intercompany cashpool, with a corresponding increase in trade creditors awaiting the maturity of customer precious metal sales. The increased cash position also enabled the repayment of the short term intercompany loan of £5,000,000 open at 31st December 2017.

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

	Unit	2018	2017
Autocatalyst refining sales	£000s	12,912	9,368

Sales excluding precious metals, a major indicator to measure growth and performance, increased from £10,087,000 in 2017 to £13,374,000 in 2018 - an increase of 33%. Auto catalyst refining sales increased from £9,368,000 in 2017 to £12,912,000 - an increase of 38% due to the volume growth and the increase in precious metal prices affecting contractual precious metal retentions. Precious metal sales increased from £91,318,000 in 2017 to £153,837,000 in 2018.

Strategic Report for the Year Ended 31 December 2018

Responsible Care

Safety of employees, contractors and visitors on site is of primary importance to the company. There were no lost time accidents in 2018 or 2017, extending this safety record beyond five years.

The site achieved a fourth consecutive annual award recognising the ongoing improvements to responsible care practices. In addition, the site participated in the BASF Group Global Safety days; the aim was to make successful safety work visible, tangible and to discuss possibilities for networking and improvement.

Environmental

The company has established ambitious global objectives to be achieved by the year 2020. BASF use efficient processes while simultaneously protecting the environment, since we consume less resources as well as reducing emissions and waste.

New technologies to improve energy consumption and reduce emissions to the environment are continually being tested and evaluated to achieve an increase the energy efficiency.

Outlook for 2019

The increasing need to source platinum group metals to meet the production demand of BASF group will require the business to continue to grow their market share of the European auto catalyst recycling market.

The company will strengthen the relationship with precious metal refineries to increase the opportunities to source auto catalyst material.

Risks and uncertainties

Precious metal prices, lease rates and currency fluctuations continue to cause concern, which may have an impact on the financial result of the company. The company maintains constant management review of precious metal prices, lease rates and exchange rates. The exposure to this risk is reduced due to natural hedges based on contract terms with counterparties and if necessary the company enters in hedging activities to further reduce the exposure.

Brexit

On 29 March 2017, Article 50 was triggered starting the process of the UK leaving the European Union. The UK was scheduled to leave the EU on the 29 March 2019 and this date has been extended by the European Commission to the 31 October 2019 following an extension request from the British Government. Whilst the outcome of Brexit negotiations remains uncertain, the directors and business managers are continuing to analyse the business environment caused by the known impact of the Brexit situation to identify where there may be business opportunities.

The company continues to monitor the situation to ensure we understand when any action needs to be prepared for or taken.

Strategic Report for the Year Ended 31 December 2018

Credit Risk
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

Transactions involving derivatives are with counterparties with whom the company has a signed netting agreement.

Interest Rate Risk
The company's variable-rate borrowings and deposits are exposed to a risk of change in cash flows due to changes in interest rates.

Foreign Exchange Risk
The company is exposed to foreign exchange risk as a result of having financial assets and liabilities in foreign currencies.

Market Risk
Market risk is constantly monitored by a combination of reports and market information systems.

Liquidity Risk
Liquidity is monitored daily to ensure the company is able to honour all its financial liabilities as they fall due. The company has access to group company sources which provide access to considerable funding.

Approved by the Board on 27 November 2019 and signed on its behalf by:

....
Mr Robert Smallwood
Director

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

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

Mr Robert Smallwood

Mr Richard Carter

Proposed Dividend

The directors do not recommend the payment of a dividend (2017: £nil).

Political donations

The company made no contributions during the year (2017: £nil).

Disclosure of information to the auditor

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Reappointment of auditor

The auditor KPMG LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 27 November 2019 and signed on its behalf by:

....
Mr Robert Smallwood
Director

Forest Vale Road
Cinderford
Gloucestershire
GL14 2PH
England

Statement of directors responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

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

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

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

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

Independent Auditor's Report to the Members of BASF Metals Recycling Limited

Opinion

We have audited the financial statements of BASF Metals Recycling Limited ("the company") for the year ended 31 December 2018, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of BASF Metals Recycling Limited (continued)

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

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of BASF Metals Recycling Limited (continued)

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

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

....

Joseph Long (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
Date: 29/11/2019

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover	3	167,211	101,405
Cost of sales		(169,336)	(101,173)
Gross (loss)/profit		(2,125)	232
Distribution costs		(1,074)	(1,028)
Administrative expenses		(620)	(525)
Operating loss	4	(3,819)	(1,321)
Other interest receivable and similar income	5	123	60
Interest payable and similar expenses	6	(30)	(46)
Loss before tax		(3,726)	(1,307)
Taxation	9	710	254
Loss for the financial year		(3,016)	(1,053)

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

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Loss for the year		(3,016)	(1,053)
Total comprehensive loss for the year		(3,016)	(1,053)

The company had no other comprehensive income or loss in either year, other than the loss for the year.

Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Tangible assets	10	1,916	2,140
Current assets			
Debtors falling due within one year	11	14,820	2,331
Debtors falling due after more than one year	12	6	5
Cash at bank and in hand		514	120
		15,340	2,456
Creditors: Amounts falling due within one year	13	(23,051)	(7,375)
Net current liabilities		(7,711)	(4,919)
Net liabilities		(5,795)	(2,779)
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account		(5,796)	(2,780)
Deficit on Shareholders' funds		(5,795)	(2,779)

Approved and authorised by the Board on 27 November 2019 and signed on its behalf by:

....

Mr Robert Smallwood

Director

Company Registration No: 933890

The notes on pages 13 to 27 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	1	(1,727)	(1,726)
Loss for the year	-	(1,053)	(1,053)
Total comprehensive loss	-	(1,053)	(1,053)
At 31 December 2017	1	(2,780)	(2,779)

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	1	(2,780)	(2,779)
Loss for the year	-	(3,016)	(3,016)
Total comprehensive loss	-	(3,016)	(3,016)
At 31 December 2018	1	(5,796)	(5,795)

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

BASF Metals Recycling Limited (The "company") is a private company incorporated, domiciled and registered in England & Wales in the UK. The registered number is 00933890 and the registered address is Forest Vale Road Cinderford Gloucestershire GL14 2PH.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

Basis of Preparation
These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Summary of disclosure exemptions
The company's ultimate parent undertaking, BASF Societas Europaea (BASF SE) includes the company in its consolidated financial statements. The consolidated financial statements of BASF SE are prepared in accordance with International Financial Reporting Standards as adopted by the EU. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and
- Cash Flow Statement and related notes
- Key Management Personnel compensation

The financial statements of BASF SE may be obtained from BASF Societas Europaea, D67056 – Ludwigshafen, Germany.

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

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 Strategic report and Directors' report on pages 1-4.

The company had net liabilities of £5,795,000 as at 31 December 2018 and had loss of £3,016,000 for the year then ended. The company is a trading company with intercompany indebtedness of £nil (2017: £5,000,000). BASF Ireland Limited provide internal financing for BASF group companies, providing intra group funding to around 100 companies within the group through short and long term loans and is itself financed and supported by BASF Societas Europaea.

The directors have prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due during that period.

On 9 September 2019 BASF Ireland Ltd confirmed their support to the company until at least 30 April 2021, being at least 19 months from the date of approval of these financial statements and that they will not seek repayment of the amounts currently made available to the company and it will continue to make available such funds as needed by the company and more widely from within the BASF Societas Europaea group, for the period covered by the forecasts above period of 19 months covered by the above forecasts.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so for the reasons, described below.
The company is within the BASF Catalysts division, the world's leading supplier of environmental and process catalysts. The Catalysts division is segregated into further business units, with the Precious and Base Metal Services unit responsible for securing precious metal supply agreements from a range of sources in order to support the Catalyst manufacturing business units. BASF Metals Recycling Limited is aligned with the BASF Group strategy of sourcing material from sustainable sources and have has a crucial role in being a secure source of platinum group metals for use by other companies within the Catalysts division for precious metals commodity trading, refining and for the manufacture of fresh catalysts, thereby enabling significant downstream added value within the division. The directors being aware of the contribution the company makes to the wider group believe that there will be continued support to the company from within the Catalysts division and from within the wider BASF Societas Europaea group.

The BASF Group strategy is to secure platinum and other precious metals, for use within the wider group, through sustainable methods provided by BASF Metals Recycling Limited and therefore the directors believe that the cost to the group to change its group wide strategy far outweighs the cost of supporting BASF Metals Recycling Limited.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 19 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Revenue recognition
Turnover comprises the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. Turnover on sale of goods is recognised when the goods are dispatched to the customer. Turnover for refining services is recognised in the accounting period in which the services are rendered. Turnover of precious metal sales is recognised in the period the metals are invoiced to the counterparty.

Foreign currency transactions and balances
Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

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

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company.

Deferred tax is measured at the rate that is expected to apply to the reversal of the related difference, using tax rates that have been enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Tangible assets
Tangible fixed assets are stated at cost, including any incidental costs of acquisition, net of depreciation and any provision for impairment.

No depreciation is charged on construction under progress until the asset becomes operational.

Depreciation
Depreciation is provided on a straight line basis over the expected useful lives of tangible fixed assets, as follows:

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Asset class	**Depreciation rate**
Leasehold Improvements	life of lease
Plant and machinery	10% - 33.3% per annum
Fixtures, fittings, tools and equipment	10% - 20% per annum

Summary of significant judgements and key sources of estimation uncertainty
The directors feel that there are no significant judgements made, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

Borrowings
Interest-bearing borrowings that are classified as basic financial instruments are recognised initially at fair value, less transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions
Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation

Leases
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense

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

Notes to the Financial Statements for the Year Ended 31 December 2018

2 *Accounting policies (continued)*

Financial instruments
Classification
(i) Basic financial instruments

Basic financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

(ii) Other financial instruments

Derivative financial instruments comprise precious metal forward contracts and foreign exchange forward contracts.
Derivatives are recognised at fair value with all changes being recognised in the profit and loss account. All unrealised gains and losses from precious metal forward contracts and foreign exchange forward contracts represent market-to-market assets and liabilities and are included in debtors and creditors respectively. Market values of positions are determined using quoted prices and other market data which is a close approximation of fair value.

Recognition and measurement
A financial instrument is recognised if the company becomes party to the contractual provisions of the instrument.

Impairment
Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire, or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Notes to the Financial Statements for the Year Ended 31 December 2018

3 *Segmental analysis*

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

	2018 £ 000	2017 £ 000
UK	158,619	93,377
Europe	7,511	6,694
Rest of world	1,081	1,334
	167,211	101,405

4 Operating loss

Arrived at after charging/(crediting)

	2018 £ 000	2017 £ 000
Audit of the financial statements	29	19
Depreciation expense	366	305
Impairment loss	20	-
Operating lease expense - property	209	272

5 Other interest receivable and similar income

	2018 £ 000	2017 £ 000
Foreign exchange gains	123	60

6 Interest payable and similar expenses

	2018 £ 000	2017 £ 000
Interest payable to group undertakings	30	46

7 Employees

On 1 August 2009 all employees were transferred to BASF Metals Limited, a fellow subsidiary of the ultimate parent company. Costs are recharged from BASF Metals Limited for the services performed by staff located at BASF Metals Recycling Limited.

Notes to the Financial Statements for the Year Ended 31 December 2018

8 - Directors Remuneration

The directors' were employed by other subsidiaries of the ultimate parent company. The emoluments for their services as directors attributable to the company during the current or prior year were as follows.

	2018 £ 000	2017 £ 000
Remuneration	162	159
Contributions paid to money purchase schemes	17	22
	179	181

9 Taxation

Tax charged/(credited) in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	(708)	(268)
UK corporation tax adjustment to prior periods	(1)	39
	(709)	(229)
Deferred taxation		
Arising from origination and reversal of timing differences	3	18
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(4)	(43)
Total deferred taxation	(1)	(25)
Tax credit in the income statement	(710)	(254)

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Loss before tax	(3,726)	(1,307)
Corporation tax at standard rate	(708)	(251)
Effect of expense not deductible in determining taxable profit (tax loss)	3	4
Increase (decrease) in UK and foreign current tax from unrecognised temporary difference from a prior period	(1)	39
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	(4)	(43)
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	(3)
Total tax credit	(710)	(254)

A reduction in the UK Corporation tax rate from 19% (effective 1st April 2017) to 18% (effective April 1st 2020) was substantially enacted on 26th October 2016, and an additional reduction to 17% (effective 1st April 2020) was substantially enacted on 6th September 2017. The Deferred tax balance at 31st December 2018 has been calculated based on these rates.

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Taxation (continued)

Deferred tax assets and liabilities

2018	Asset £ 000
Origination and reversal of timing differences	6

2017	Asset £ 000
Origination and reversal of timing differences	5

Deferred tax assets are for accelerated capital allowances.

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Tangible assets

	Leasehold Improvements £ 000	Fixtures, fittings, tools and equipment £ 000	Construction under progress £ 000	Plant and warehouse equipment £ 000	Total £ 000
Cost or valuation					
At 1 January 2018	910	309	340	2,360	3,919
Additions	-	73	13	77	163
Disposals	-	(56)	-	(19)	(75)
Transfers	51	-	(340)	289	-
At 31 December 2018	961	326	13	2,707	4,007
Depreciation					
At 1 January 2018	330	158	-	1,291	1,779
Charge for the year	81	51	-	234	366
Eliminated on disposal	-	(56)	-	(18)	(74)
Impairment	20	-	-	-	20
At 31 December 2018	431	153	-	1,507	2,091

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Tangible assets (continued)

	Leasehold Improvements £ 000	Fixtures, fittings, tools and equipment £ 000	Construction under progress £ 000	Plant and warehouse equipment £ 000	Total £ 000
Carrying amount					
At 31 December 2018	530	173	13	1,200	1,916
At 31 December 2017	580	151	340	1,069	2,140

An impairment review recognised impairment for the year of £20,000 (2017: £nil).

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Debtors falling due within one year

	Note	2018 £ 000	2017 £ 000
Trade debtors		136	10
Amounts owed by group undertakings	19	10,686	1,154
Other debtors		3,976	1,138
Prepayments		22	29
Total current trade and other debtors		14,820	2,331

Included in other debtors above is £2,999,000 (2017: £455,000) relating to VAT recoverable.

12 Debtors falling due after more than one year

	Note	2018 £ 000	2017 £ 000
Deferred tax assets	9	6	5

13 Creditors

	Note	2018 £ 000	2017 £ 000
Due within one year			
Loans and borrowings	16	-	5,000
Trade creditors		15,383	1,444
Amounts owed to group undertakings	19	7,554	862
Social security and other taxes		34	30
Accrued expenses		49	39
Derivative financial liabilities		31	-
		23,051	7,375

The company enters into derivative contracts with its customer which comprise of precious metal forward contracts. The company measures fair values using the fair value hierarchy that reflects the significance of inputs used in making the measurements.

Notes to the Financial Statements for the Year Ended 31 December 2018

14 Pension Obligations

Defined benefit scheme

All employees transferred to BASF Metals Limited (BML) on 1 August 2009. BML participates in the BASF (UK) Group Pension Scheme. BML 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 fund. BASF PLC, the lead UK Group company operates a group defined benefit scheme, of which some employees of the company are members.

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

Defined contribution pension scheme

BML operates a defined contribution pension scheme. The scheme operates as part of the BASF (UK) Group Pension Scheme and commenced operation on 6 April 1998.

There were no contributions paid directly by BASF Metals Recycling Limited to the pension scheme in either the current or preceding year and no contributions were outstanding or prepaid at either year end.

15 Share capital

Allotted, called up and fully paid shares

	No. 000	2018 £ 000	No. 000	2017 £ 000
Ordinary shares of £1 each	1	1	1	1

Notes to the Financial Statements for the Year Ended 31 December 2018

16 Loans and borrowings

	2018 £ 000	2017 £ 000
Current loans and borrowings		
Loans from other group undertaking	-	5,000

The amount payable to group undertakings is owed to BASF Ireland Ltd, a fellow wholly owned subsidiary of BASF SE. It is denominated in GBP and carries interest at NIL (2017: 1.04%). The short term loan was repaid on 11th October 2018.

17 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2018 £ 000	2017 £ 000
Not later than one year	335	224
Later than one year and not later than five years	952	896
Later than five years	424	672
	1,711	1,792

The building lease term expires on 6 January 2026. The terms of the lease include a break notice given by the tenant to the landlord 6 months prior to 7 January 2023.

18 Contingent liabilities

As a result of group registration for UK VAT purposes the company is contingently liable for the VAT liabilities of certain other group and associate undertakings. As at the balance sheet date the group is in a net reclaimable position with respect to VAT and therefore the maximum potential contingent liability of the company is £nil (2017: £nil).

19 Related party transactions

All material transactions with related parties during the current and prior year have been with the company's immediate parent, fellow subsidiaries and other group undertakings. As such, the company has taken advantage of the exemption allowed under FRS 102.33.1A not to disclose such transactions. Related party balances outstanding at the balance sheet date are disclosed in total under the relevant notes above.

Notes to the Financial Statements for the Year Ended 31 December 2018

20 Parent and ultimate parent undertaking

The company's immediate parent is BASF Catalysts UK Holdings Limited, incorporated in England. Registered Address 21st Floor, 110 Bishopsgate, London, EC2N 4AY.
The ultimate parent is BASF Societas Europaea, incorporated in Germany.

The most senior parent entity producing publicly available consolidated financial statements is BASF Societas Europaea. These financial statements are available upon request from BASF Societas Europaea, D67056 – Ludwigshafen, Germany.

The ultimate controlling party is BASF Societas Europaea.