

**ENGELHARD SALES LIMITED**

**Annual report for the year ended**

**31 December 2007**

Company Registration No 933890



# **ENGELHARD SALES LIMITED**

## **Directors' report for the year ended 31 December 2007**

The directors present their report and the financial statements of Engelhard Sales Limited for the year ended 31 December 2007

### **Principal activity**

The Company's principal activity is the refining of precious and other metal products

### **Review of business and future developments**

#### ***Overview***

The year ending 31 December 2007 represented a successful period of business in gaining additional revenue especially for the major refining segment. Due to an increase in precious metal prices an exceptional item of £133,000 was incurred which related to a stock loss first recognised in 2006. The precious metal position for this exceptional item was concluded in May 2007.

The profit for the financial year was £475,000 (2006 loss £196,000)

The company offers refining services to industrial customers and traders in precious bearing materials. The company bases its strategy on excellent customer service and growth in the new recycling markets related to waste electrical and electronic equipment and scrap auto catalysts from vehicles.

New recycling legislation was adopted in the UK in 2007. The business was able to achieve Approved Authorised Treatment Facility (AATF) and Approved Exporter (AE) status under the new waste electronic equipment legislation, hence assisting growth in the new recycling market.

2007 saw sales decrease 7% compared to 2006, which is attributable to customers increasing balances on their metal account or requesting metal account transfers as opposed to cash settlement.

The company also supplies platinum group metal products to industrial customers.

#### ***Objectives***

The major objective is to increase revenue and profit from the business whilst maintaining excellent customer service. In future the business is looking to grow especially in the new recycling markets and to extend any business opportunities within the BASF group of companies.

#### ***Key Performance Indicators***

The increased profitability and growth of the new recycling business both indicate the success of the base business and the growth strategy. Both precious metal and base metal prices improved significantly during the year driving further demand for refining and recycling.

Sales excluding precious metals, a major indicator to measure growth and performance, increased from £8,462,000 in 2006 to £10,503,000 in 2007, an increase of 24%.

Customer service targets measured as the percentage of times that Engelhard Sales Limited meet the customers requirements on refining settlement dates has been set at 95% for the past three years. The performance for 2007 increased to 96.1%, an increase of 3.7% from the 2006 results of 92.4%, thereby showing the company's commitment to improve its performance towards its customers.

# **ENGELHARD SALES LIMITED**

## **Directors' report for the year ended 31 December 2007**

### ***Risks and Uncertainties***

Increasing energy costs remain a threat to profitability

#### ***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 a variety of deposit sources which provide access to considerable funding.

### **Dividends**

The directors do not recommend the payment of a dividend (2006 £nil).

### **Directors and directors' interests**

The following persons have been directors of the Company during the year:

J Setchfield

J Greenberg

C Bracco (resigned 31 December 2007)

None of the directors had, at any time during the year, a disclosable interest in the shares of the Company, or any other group company.

According to the register of directors' interest, no rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

## ENGELHARD SALES LIMITED

### Directors' report for the year ended 31 December 2007

#### Political and charitable contributions

The Company made no political contributions during the year (2006 - £nil) Donations to UK charities amounted to £150 (2006 - £325)

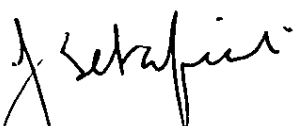
#### Disclosure of information to auditors

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 they 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

A resolution to re-appoint KPMG Audit Plc as auditors will be proposed at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD



J Setchfield  
Director

Date 17/4/08

63 St Mary Axe  
London EC3A 8NH  
United Kingdom

## **ENGELHARD SALES LIMITED**

### **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)

The financial statements are required by law to 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 proper accounting records that 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 1985. 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

# **ENGELHARD SALES LIMITED**

## **Independent auditors' report to the members of Engelhard Sales Limited**

We have audited the financial statements of Engelhard Sales Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, with respect to the exceptional loss in the comparative period of stock amounting to £820,000 we were unable to satisfy ourselves as to whether this loss should properly have been recorded in the comparative financial year or in a previous period. This amount represents a difference between the amount as originally recorded in the accounting records of the company as at 31 December 2006 and the actual physical stock as at that date, which the directors of the company had decided to expense in the comparative year's profit and loss account. The evidence available to us to determine when and why this loss occurred and, in consequence, whether the allocation of the expense within the comparative year's profit and loss account was appropriate was limited both because we did not observe the counting of the physical stock as of 31 December 2005, since that date was prior to our appointment as auditors of the company and because the directors were unable to provide us with sufficient evidence as to why this difference arose. We were therefore unable to determine whether the inclusion, classification and explanation of the expense of £820,000 in the comparative year's profit and loss account was appropriate.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## ENGELHARD SALES LIMITED

### Independent auditors' report to the members of Engelhard Sales Limited

#### Qualified opinion arising from limitation in audit evidence about comparatives

In our opinion the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007

Except for the financial effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the exceptional stock write of £820,000 in the comparative year's profit and loss account, in our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the company's profit for the year ended 31 December 2007, and
- have been properly prepared in accordance with the Companies Act 1985

In respect solely of the limitation on our work relating to the exceptional stock write off of £820,000 in the comparative year's profit and loss account

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether proper accounting records had been maintained

In our opinion the information given in the Directors' Report is consistent with the financial statements

KPMG Audit PLC

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

Date: 21 April 2008

## ENGELHARD SALES LIMITED

### Profit and loss account for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	120,657	129,665
Cost of Sales			
before exceptional item	3	(118,961)	(128,185)
exceptional item	3	(133)	(820)
Continuing operations – total		(119,094)	(129,005)
Gross profit		1,563	660
Distribution costs		(958)	(1,338)
Administrative expenses		(222)	(170)
Operating profit/(loss)	3	383	(848)
Other income		181	413
Interest receivable and similar income	4	170	161
Profit/(Loss) on ordinary activities before taxation		734	(274)
Tax (charge)/credit on profit/loss on ordinary activities	5	(259)	78
Profit/(Loss) for the financial year		475	(196)

There is no material difference between the results disclosed in the P&L account and the result as given by the unmodified historical cost basis

The company has no recognised gains or losses for the current and previous financial years other than those stated in the profit and loss account

All of the above relates to the company's ongoing operations

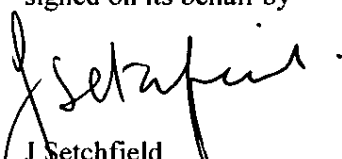
The accompanying notes on pages 10 to 19 are an integral part of these financial statements

# ENGELHARD SALES LIMITED

## Balance Sheet - 31 December 2007

	Notes	2007 £000	2006 £000
<b>FIXED ASSETS</b>			
Tangible assets	6	518	480
		<u>518</u>	<u>480</u>
<b>CURRENT ASSETS</b>			
Stocks		30	24
Debtors amounts falling due within one year	7	6,934	7,912
Cash at bank and in hand		29	3,415
		<u>6,993</u>	<u>11,351</u>
<b>CREDITORS</b>			
Amounts falling due within one year	8	(4,193)	(3,688)
<b>NET CURRENT ASSETS</b>		<u>2,800</u>	<u>7,663</u>
<b>NET ASSETS</b>		<u>3,318</u>	<u>8,143</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	1	1
Profit and loss account	10	3,317	8,142
<b>EQUITY SHAREHOLDER'S FUNDS</b>		<u>3,318</u>	<u>8,143</u>

These financial statements were approved by the board of directors on 17 April 2008 and were signed on its behalf by

  
J Setchfield  
Director

The accompanying notes on pages 10 to 19 are an integral part of these financial statements

## ENGELHARD SALES LIMITED

### Reconciliation of Movements in Shareholders' Funds - 31 December 2007

	2007 £000	2006 £000
Balance at start of year	8,143	8,339
Profit/(Loss) for the financial year	475	(196)
Dividend on shares classified in shareholders' funds	(5,300)	-
Balance at end of year	<u>3,318</u>	<u>8,143</u>

# **ENGELHARD SALES LIMITED**

## **Notes to the financial statements - 31 December 2007**

### **1 ACCOUNTING POLICIES**

#### **(a) Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom

The Company is exempt by virtue of s228 of the Companies Act 1985 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.

The Company has taken advantage of the exemption from the disclosure requirements under FRS 29 on the grounds that its ultimate parent undertaking prepares consolidated financial statements, which are publicly available and will include the disclosure requirements of FRS 29 or its equivalent.

As 100% of the Company's voting rights are controlled within the group headed by BASF Societas Europaea, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of BASF Societas Europaea, within which this Company is included, can be obtained from BASF Societas Europaea, 67056 Ludwigshafen, Germany.

#### **(b) Stocks**

Stocks are stated at the lower of cost and net realisable value. Costs include the costs of conversion incurred in bringing stock to their present state and location.

#### **(c) Translation of foreign currencies**

Where contracts are entered into for the forward purchase or sale of other currencies, the related transactions are translated into sterling at the contract rates. Where such currency contracts are not entered into, transactions other than sterling are translated into sterling at the rates of exchange prevailing at the time those transactions are accounted for.

Non-monetary assets and liabilities denominated in currencies other than sterling have been translated at their historical rate of exchange.

Other non-sterling denominated assets and liabilities not covered by foreign currency contracts are translated into sterling at the closing rates of exchange at the balance sheet date. All differences arising are taken to the profit and loss account.

#### **(d) Taxation**

Provision is made for corporation tax at current rates on the profits as adjusted for tax purposes.

# **ENGELHARD SALES LIMITED**

## **Notes to the financial statements - 31 December 2007**

### **1 ACCOUNTING POLICIES (continued)**

#### **(e) Deferred taxation**

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences where transactions or events that have originated but not reversed at the balance sheet date result in an obligation to pay more tax in the future, or a right to pay less tax in the future

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on a non-discounted basis at the tax rates that are expected to apply in the periods which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### **(f) Tangible fixed assets**

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

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

Leasehold improvements	20 - 25 years
Plant, machinery, fixtures and fittings, computers and equipment	3 - 7 years

#### **(g) Lease commitments**

Amounts due to and from the Company under operating lease agreements are credited/charged to the profit and loss account

#### **(h) Turnover policy**

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 services is recognised in the accounting period in which the services are rendered

# ENGELHARD SALES LIMITED

## Notes to the financial statements - 31 December 2007

### 1 ACCOUNTING POLICIES (continued)

#### (i) Financial instruments

A financial instrument is recognised if the Company becomes party to the contractual provisions of the instrument. 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.

##### (i) Non derivative financial instruments

Non derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non derivative financial instruments are recognised at carrying cost.

##### (ii) Derivative financial instruments

Derivative financial instruments comprise foreign exchange forward contracts.

Derivatives are recognised at fair value with all changes being recognised in the profit and loss account.

##### (iii) Ordinary share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

The company is exempt from the disclosure requirements of FRS 25 'Financial instruments presentation and disclosure', paragraphs 51-95 as 100% of the voting rights are held within the group and the company is included in group accounts that are publicly available and provide IAS 32 'financial instruments disclosure and presentation' disclosures.

### 2 SEGMENTAL ANALYSIS

The Company has two classes of business, that of buying scrap, arranging refining and selling of precious and other metal products, and that of manufacturing and marketing small engineered products.

Turnover by destination is analysed as follows

	2007 £000	2006 £000
Geographical area		
United Kingdom	109,476	118,991
Other Europe	8,573	7,864
United States of America	1,347	685
Asia	360	390
South America	27	564
Africa	46	48
Middle East	828	1,123
	<u>120,657</u>	<u>129,665</u>

## ENGELHARD SALES LIMITED

### Notes to the financial statements - 31 December 2007

#### 2 SEGMENTAL ANALYSIS (continued)

Turnover by class of business is analysed as follows

	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
Refining precious and other metal products	119,891	128,414
Manufacturing and marketing small engineered products	766	1,251
	<u>120,657</u>	<u>129,665</u>

#### 3 OPERATING PROFIT/LOSS

Operating profit/loss is stated after charging/(crediting)

	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
Auditors      Audit Remuneration	31	19
Operating leases      Plant and machinery	22	26
Other	118	118
Rental income	-	(2)
Depreciation of owned fixed assets	140	173
Gain of foreign exchange	(9)	(2)
Exceptional Items      Stock losses	133	820
	<u>                    </u>	<u>                    </u>

In May 2007 metal was purchased to cover the shortfall in industrial products stock which was originally realized in 2006. Due to price increases from December 2006 to May 2007 there was an additional exceptional item of £133,000.

#### 4 INTEREST RECEIVABLE AND SIMILAR INCOME

	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
Group undertakings	71	19
Other loans and receivables	99	142
	<u>170</u>	<u>161</u>

## ENGELHARD SALES LIMITED

### Notes to the financial statements - 31 December 2007

#### 5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2007 £000	2006 £000
(a) Analysis of charge in period		
UK Corporation tax on profit/(loss) of the period	225	(82)
Adjustments in respect of previous periods	(45)	64
Total current tax ( <i>see note 5(b)</i> )	<u>180</u>	<u>(18)</u>
Deferred Tax		
Origination and reversal of timing differences ( <i>see note 8</i> )	28	(60)
Adjustments in respect of previous periods ( <i>see note 8</i> )	51	-
	<u>259</u>	<u>(78)</u>
(b) Factors affecting tax charge for the period		
Profit/(loss) on ordinary activities before tax	<u>734</u>	<u>(274)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	220	(83)
Effect of		
Expenses not deductible for tax purposes	34	2
Depreciation for period in excess of capital allowances	(29)	(1)
Adjustments in respect of previous periods	(45)	64
	<u>180</u>	<u>(18)</u>

# ENGELHARD SALES LIMITED

## Notes to the financial statements - 31 December 2007

### 6 TANGIBLE FIXED ASSETS

		Leasehold improvements £000	Plant and warehouse equipment £000	Motor vehicles, fixtures, fittings tools and equipment Total £000	Total £000
Cost	At 1 January 2007	46	1,546	257	1,849
	Reclassification	-	20	(20)	-
	Additions	-	172	6	178
	At 31 December 2007	<u>46</u>	<u>1,738</u>	<u>243</u>	<u>2,027</u>
Depreciation	At 1 January 2007	19	1,186	164	1,369
	Provided during the year	2	122	16	140
	At 31 December 2007	<u>21</u>	<u>1,308</u>	<u>180</u>	<u>1,509</u>
Net Book Value	At 31 December 2007	<u>25</u>	<u>430</u>	<u>63</u>	<u>518</u>
	At 1 January 2007	<u>27</u>	<u>360</u>	<u>93</u>	<u>480</u>

### 7 DEBTORS: amounts falling due within one year

	2007 £000	2006 £000
Trade debtors	132	753
Amounts owed by ultimate parent company and fellow subsidiaries	5,686	4,579
Other debtors	1,109	2,478
Prepayments and accrued income	7	29
Deferred taxation	-	73
	<u>6,934</u>	<u>7,912</u>

# ENGELHARD SALES LIMITED

## Notes to the financial statements - 31 December 2007

### 8 CREDITORS : amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	2,773	1,869
Amounts owed to ultimate parent company and fellow subsidiaries	155	79
Taxation and social security	253	159
Accruals and deferred income	1,012	1,547
Other creditors	-	34
	<u>4,193</u>	<u>3,688</u>

Provision has been made for the full potential liability at a corporation tax rate of 30%  
Movements on the provision for deferred tax are

	2007 £000	2006 £000
Balance at start of year	(73)	(13)
Amount charged/(credited) during the year ( <i>see note 5</i> )	79	(60)
Balance at end of year	<u>6</u>	<u>(73)</u>

Deferred taxation provided relates to accelerated capital allowances

### 9 CALLED UP SHARE CAPITAL

	2007 £000	2006 £000
Authorised, issued and fully paid 1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

### 10 RETAINED EARNINGS

	Profit and loss account £000
At beginning of year	8,142
Profit for the financial year	475
Interim dividend paid	(5,300)
At end of year	<u>3,317</u>

## ENGELHARD SALES LIMITED

### Notes to the financial statements - 31 December 2007

#### 11 DIRECTORS' EMOLUMENTS

One of the directors was employed by the company's ultimate parent company, and did not receive any emoluments for his services as a director of the company. The emoluments of the remaining directors for their services as directors of the company were as follows

	2007 £000	2006 £000
Aggregate emoluments	92	105
Number of directors accruing retirement benefits Defined benefits scheme	1	1

#### 12 EMPLOYEE INFORMATION

	2007	2006
a) Average number of employees during the year including directors		
Manufacturing	38	39
Distribution	11	13
Administration	2	2
	51	54
	£000	£000
b) Employment costs		
Aggregate gross wages and salaries	1,747	1,693
Employer's NI contributions	154	158
Employer's pension contributions	204	203
	2,105	2,054

For the year of 2007 certain senior employees may receive the benefit of a bonus based on the share price of the ultimate parent company. Any expense for this is immaterial to the company.

## **ENGELHARD SALES LIMITED**

### **Notes to the financial statements - 31 December 2007**

#### **13 PENSION OBLIGATIONS**

The Company is a participating employer in the Engelhard Pension Scheme (the Scheme), an approved pension scheme with a defined benefit section and a defined contribution section. The principal employer of the Scheme is BASF Catalysts UK Holdings Limited. The assets of the Scheme are held separately from those of the participating employers in trustee administered funds.

The Scheme is not segregated for actuarial purposes and it is therefore not possible to identify the Company's shares of the assets and liabilities in the Scheme on a consistent and reasonable basis. Contributions to the Scheme are charged directly to the profit and loss account of the Company while surpluses or deficits in the defined benefit section attributable to the Engelhard group are accounted for in the financial statements of the Scheme's principal employer.

The contributions charge for the Company for the year was £204,000 (2006 £203,000). As at 31 December 2007, there were no outstanding or prepaid contributions.

The most recent reported actuarial valuation of the scheme was at 31 December 2006, using the projected unit credit method. At the 31 December 2006 valuation date the value of the assets of the defined benefit section of the Scheme was £64,400,000 which was sufficient to cover 100% of the accrued liabilities on an ongoing basis. This equated to a surplus of £1,600,000.

On a solvency basis the scheme is 83% funded.

On the recommendation of the actuaries, and with the agreement of the trustees, the participating employers have agreed to contribute for benefits expected to accrue to current members in the future and for the cost of administering the Scheme. From January 2008 contributions of 33.3% (2007 28.4%) of scheme salary will be made by the Company with an additional contribution of 13.1% (2006 6.8%) of scheme salary in relation to members on the executive scale.

Further details of this valuation can be found in the annual report of BASF Catalysts UK Holdings Limited.

The next actuarial valuation of the Scheme will be based on the position of the pension scheme as at 31 December 2009.

#### **14 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 (2006 Nil).

## ENGELHARD SALES LIMITED

### Notes to the financial statements - 31 December 2007

#### 15 COMMITMENTS

At 31 December 2007 the Company had annual commitments under non-cancellable operating leases expiring as follows

	2007 £000	2006 £000
Land and buildings		
Within one year	-	-
After five years	117	117
	<u>117</u>	<u>117</u>
Other assets		
Within one year	-	5
Within two to five years	18	13
	<u>18</u>	<u>18</u>

#### 16 IMMEDIATE PARENT COMPANY

The Company is a wholly owned subsidiary of BASF Catalysts UK Holdings Limited, a company registered in England and Wales. The directors of the Company consider BASF Catalysts UK Holdings Limited to be the company's controlling party.

#### 17 ULTIMATE PARENT COMPANY

The Company's ultimate parent company is BASF Societas Europaea ("BASF SE"), (formerly BASF Aktiengesellschaft) a company incorporated in Germany. BASF SE is the largest and smallest group for which consolidated financial statements are prepared.

Copies of BASF SE's consolidated financial statements may be obtained from BASF Societas Europaea, D67056 – Ludwigshafen, Germany.