

BASF METALS RECYCLING LIMITED

Directors' Report and financial statements for the year ended

31 December 2011

Company Registration No. 933890

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BASF METALS RECYCLING LIMITED

Directors' Report for the year ended 31 December 2011

The directors present their report and the financial statements of BASF Metals Recycling Limited for the year ended 31 December 2011

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 ended 31 December 2011 represented a successful period of business with a strong increase in revenues for all major refining segments. Gold and silver prices remained historically high and continued to increase the demand for precious metals recovery.

The profit after tax for the financial year was £1,880,000 (2010 £1,369,000)

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

The company maintained approved status for exporting electronic scrap and continued to supply platinum group metal products to customers.

In September 2011 the company changed name from Engelhard Sales Limited to BASF Metals Recycling Limited.

In addition, in September 2011, the company occupied a 56,000 square foot recycling facility, more than doubling the manufacturing footprint and production capacity. The new site, adjacent to the existing premises, houses spent auto catalyst and electronic scrap recovery as well as the analytical services laboratory and administration offices.

Objectives

The major objective of the company 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 growth strategies outlined previously for waste electronic and auto catalyst segments continued to drive growth and precious metal prices have improved throughout 2011.

Sales excluding precious metals, a major indicator to measure growth and performance, increased from £17,965,000 in 2010 to £23,017,000 in 2011, an increase of 28%.

Customer service targets measure the percentage of times that BASF Metals Recycling Limited meets the customers' requirements on refining settlement dates. The average performance for 2011 reduced to 85.8% compared to 87.2% for 2010, which is a reflection of sudden increase in volumes in the second half of 2011 that required additional resources to process.

Safety of employees, contractors and visitors on site is of primary importance to the company. The company had the same level of first aid incidents as in 2010 and this included one lost time accident.

BASF METALS RECYCLING LIMITED

Directors' Report for the year ended 31 December 2011

Risks and uncertainties

Precious metal prices and currencies fluctuations continue to cause concern, which may have an impact on the financial result of the company

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 final dividend (2010: £nil).

Directors

The following persons have been directors of the company during the year, and subsequently:

J Setchfield
J Greenberg (resigned 20 May 2011)
S Hatton

Political and charitable contributions

The company made no political contributions during the year (2010: £nil). Donations to UK charities amounted to £50 (2010: £100).

BASF METALS RECYCLING LIMITED

Directors' Report for the year ended 31 December 2011

Disclosure of information to 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

Auditor

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

ON BEHALF OF THE BOARD



J Setchfield
Director

Date 16 March 2012

Forest Vale Road, Cinderford,
Gloucestershire, GL14 2PH
United Kingdom

BASF METALS RECYCLING 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)

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

100 Temple Street
Bristol
BS1 6AG
United Kingdom

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

We have audited the financial statements of BASF Metals Recycling Limited for the year ended 31 December 2011 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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



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

A handwritten signature in black ink, appearing to read 'N P Hall'.

N P Hall (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

100 Temple Street

Bristol

BS1 6AG

19 March 2012

BASF METALS RECYCLING LIMITED

Profit and loss account for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Turnover	1,2	574,575	423,157
Cost of Sales	3	(569,969)	(419,183)
Gross profit		4,606	3,974
Distribution costs		(1,487)	(1,160)
Administrative expenses		(486)	(431)
Other operating expenses		(173)	(489)
Operating profit	3	2,460	1,894
Interest receivable and similar income	4	55	53
Profit on ordinary activities before taxation		2,515	1,947
Tax charge on profit on ordinary activities	5	(635)	(578)
Profit for the financial year	11	1,880	1,369

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 and therefore no separate Statement of total recognised gains and losses has been prepared

All of the above results relate to the company's continuing operations

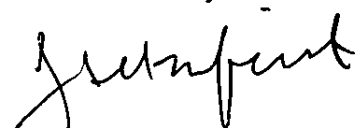
BASF METALS RECYCLING LIMITED

Balance Sheet at 31 December 2011

	Notes	2011 £000	2010 £000
FIXED ASSETS			
Tangible assets	6	3,074	1,573
CURRENT ASSETS			
Stocks		29	25
Debtors amounts falling due within one year	7	13,372	13,891
Cash at bank and in hand		679	563
		<u>14,080</u>	<u>14,479</u>
CREDITORS			
Amounts falling due within one year	8	(10,691)	(9,520)
NET CURRENT ASSETS		<u>3,389</u>	<u>4,959</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,463	6,532
Provision for liabilities and charges	9	(77)	(26)
NET ASSETS		<u><u>6,386</u></u>	<u><u>6,506</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Profit and loss account	11	6,385	6,505
EQUITY SHAREHOLDER'S FUNDS		<u><u>6,386</u></u>	<u><u>6,506</u></u>

The accompanying notes on pages 10 to 18 form an integral part of these financial statements

These financial statements were approved by the board of directors on 16 March 2012 and were signed on its behalf by


J Setchfield
Director

Company Registration No 933890

BASF METALS RECYCLING LIMITED

Reconciliation of Movements in Shareholder's Funds for the year ended 31 December 2011

	2011	2010
	£000	£000
Balance at start of year	6,506	5,137
Profit for the financial year	1,880	1,369
Dividend on shares classified in shareholder's funds	(2,000)	-
Balance at end of year	<u>6,386</u>	<u>6,506</u>

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

(a) Basis of preparation

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

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.

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 other wholly owned subsidiaries 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) Going concern

The directors have prepared cash flow forecasts and have concluded that the company should be able to operate within the level of its current facilities. In preparing those forecasts, the directors have taken into account various risks and uncertainties and they 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.

(c) 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.

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

1 ACCOUNTING POLICIES (continued)

(d) 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.

(e) Taxation

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

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

(f) Deferred taxation

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.

(g) 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	15 – 20 years
Plant, machinery, fixtures and fittings, computers and equipment	3 - 10 years
Construction under progress	10 - 15 years

Depreciation on construction under progress will commence from March 2012 on completion and occupation of a new analytical services laboratory.

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

1 ACCOUNTING POLICIES (continued)

(h) Lease commitments

Amounts due to and from the company under operating lease agreements are credited or charged to the profit and loss account on a straight-line basis over the term of the lease

(i) 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.

(j) 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 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 mark-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.

(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 (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 disclosures.

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

2 SEGMENTAL ANALYSIS

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

Turnover by destination is analysed as follows

	2011	2010
	£000	£000
Geographical area		
United Kingdom	539,278	401,111
Other Europe	29,148	18,021
USA and Canada	3,283	2,458
Asia	1,456	846
South America	46	-
Africa	265	338
Middle East	1,099	383
	574,575	423,157

Turnover by class of business is analysed as follows

	2011	2010
	£000	£000
Refining precious and other metal products	573,766	421,777
Manufacturing and marketing small engineered products	809	1,380
	574,575	423,157

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2011	2010
	£000	£000
Auditor's remuneration audit of these financial statements	34	34
Operating leases Plant and machinery	40	24
Other	346	130
Depreciation of owned fixed assets	298	272
(Gain)/loss on foreign exchange	(1)	17
Realised and unrealised loss on commodity forward contracts	174	473

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
	£000	£000
On amounts due from group undertakings	55	47
On other loans and receivables	-	6
	55	53

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £000	2010 £000
(a) Analysis of charge in period		
UK Corporation tax on profit for the period	611	520
Adjustments in respect of previous periods	(27)	30
Total current tax (<i>see note 5(b)</i>)	<u>584</u>	<u>550</u>
Deferred tax (<i>see note 9</i>)		
Origination and reversal of timing differences	57	38
Adjustments in respect of previous periods	(6)	(10)
	<u>635</u>	<u>578</u>
(b) Factors affecting tax charge for the period		
Profit on ordinary activities before tax	<u>2,515</u>	<u>1,947</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28%)	666	545
Effect of		
Expenses not deductible for tax purposes	6	14
Difference between capital allowances and depreciation	(61)	(31)
Other timing differences	-	(8)
Adjustments in respect of previous periods	(27)	30
	<u>584</u>	<u>550</u>

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 and a further reduction to 25 per cent with effect from 1 April 2012. These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively and therefore the effect of these rate reductions is reflected in the figures above as they were substantively enacted at the balance sheet date. The rate reductions also create a reduction in the deferred tax asset which has been included in the figures above.

The Chancellor also prepared changes to further reduce the main rate of corporation tax by one percent per annum to 23 percent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above.

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

6 TANGIBLE FIXED ASSETS

		Leasehold improve- ments £000	Plant and warehouse equipment £000	Fixtures, fittings, tools and equipment £000	Construction under progress £000	Total £000
Cost	At 1 January 2011	46	2,086	258	1,206	3,596
	Reclassification	18	1,176	-	(1,194)	-
	Additions	69	1,094	3	633	1,799
	Disposals	-	(45)	(13)	-	(58)
	At 31 December 2011	<u>133</u>	<u>4,311</u>	<u>248</u>	<u>645</u>	<u>5,337</u>
Depreciation	At 1 January 2011	29	1,748	246	-	2,023
	Provided during the year	6	285	7	-	298
	Disposals	-	(45)	(13)	-	(58)
	At 31 December 2011	<u>35</u>	<u>1,988</u>	<u>240</u>	<u>-</u>	<u>2,263</u>
Net book value	At 31 December 2011	<u>98</u>	<u>2,323</u>	<u>8</u>	<u>645</u>	<u>3,074</u>
	At 31 December 2010	<u>17</u>	<u>338</u>	<u>12</u>	<u>1,206</u>	<u>1,573</u>

The annual impairment review recognised plant and warehouse impairment for the year of £14,000 (2010 £111,000)

7 DEBTORS: amounts falling due within one year

	2011 £000	2010 £000
Trade debtors	1,806	363
Amounts owed by ultimate parent company and fellow subsidiaries	9,312	11,992
Other debtors	2,228	1,532
Prepayments and accrued income	26	4
	<u>13,372</u>	<u>13,891</u>

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

8 CREDITORS : amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	5,914	6,237
Amounts owed to ultimate parent company and fellow subsidiaries	354	730
Taxation and social security	1,251	1,044
Accruals and deferred income	3,172	1,509
	<u>10,691</u>	<u>9,520</u>

9 DEFERRED TAXATION

	2011 £000	2010 £000
Accelerated capital allowances	77	26
	<u>77</u>	<u>26</u>

The movements in the amounts provided were as follows

	2011 £000
At start of year	26
Charge for the year	51
At end of year	<u>77</u>

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 and a further reduction to 25 per cent with effect from 1 April 2012. These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively and therefore the effect of these rate reductions creates a reduction in the deferred tax liability which has been included in the figures above.

The Chancellor proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 25 per cent to 23 per cent, if these applied to the deferred tax balance at 31 December 2011, would be to further reduce the deferred tax liability.

10 CALLED UP SHARE CAPITAL

	2011 £000	2010 £000
Allotted, issued and fully paid 1,000 (2010: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

11 RETAINED EARNINGS

	Profit and loss account £000
At beginning of year	6,505
Profit for the financial year	1,880
Interim dividend paid	(2,000)
At end of year	<u>6,385</u>

12 DIRECTORS' EMOLUMENTS

S Hatton, J Greenberg and J Setchfield were employed by a subsidiary of the ultimate parent company and did not receive any emoluments for their services as directors of the company during the current or prior year

13 EMPLOYEE INFORMATION

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

14 PENSION OBLIGATIONS

The company was a participating employer in the Engelhard Pension Scheme (the Scheme), an approved pension scheme with a defined benefit section and a defined contribution section until 1 August 2009 when all the employees transferred to Engelhard Metals Limited, a fellow subsidiary of the ultimate parent company. 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. At the year end the company held no pensions obligation.

There were no contributions paid by the company to the pension scheme in either the current or preceding year and no contributions were outstanding or prepaid at either year end.

15 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 (2010: £nil).

BASF METAL RECYCLING LIMITED

Notes to the financial statements for the year ended 31 December 2011

16 COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases expiring as follows

	2011 £000	2010 £000
Land and buildings		
Within one year	14	-
Within two to five years	-	58
After five years	288	72
	302	130
Other assets		
Within one year	4	14
Within two to five years	27	10
After five years	-	-
	31	24

17 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.

18 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.