

ENGELHARD SALES LIMITED

Annual report for the year ended

31 December 2010

Company Registration No. 933890



ENGELHARD SALES LIMITED

Directors' report for the year ended 31 December 2010

The directors present their report and the financial statements of Engelhard Sales Limited for the year ended 31 December 2010

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 2010 represented a successful period of business with a strong increase in revenues for all major refining segments. Increased commodity prices for most metals during the year have increased revenues and gold and silver prices have remained strong throughout the year.

The profit for the financial year was £1,369,000 (2009 profit £568,000)

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 treating waste electronic equipment and continued to supply platinum group metal products to 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 growth strategies outlined previously for waste electronic and auto catalyst segments continued to drive growth and precious metal prices have improved throughout 2010.

Sales excluding precious metals, a major indicator to measure growth and performance, increased from £11,814,000 in 2009 to £17,965,000 in 2010, an increase of 52%.

Customer service targets measure the percentage of times that Engelhard Sales Limited meet the customers' requirements on refining settlement dates. The average performance for 2010 reduced to 87.2% compared to 97.9% for 2009, which is a reflection of sudden increased volumes in the second quarter of 2010 that required additional resources to process. Customer service levels improved to 95.7% for the second half of 2010.

Safety of employees, contractors and visitors on site is a priority of the company and first aid incidents were reduced on the previous year and the company recently passed two years since a lost time accident.

ENGELHARD SALES LIMITED

Directors' report for the year ended 31 December 2010

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 dividend (2009 - £nil).

Directors

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

J Setchfield
J Greenberg
S Hatton

Political and charitable contributions

The Company made no political contributions during the year (2009 - £nil). Donations to UK charities amounted to £100 (2009 - £225).

ENGELHARD SALES LIMITED

Directors' report for the year ended 31 December 2010

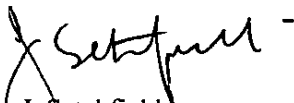
Disclosure of information to auditors

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

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

ON BEHALF OF THE BOARD


J Setchfield
Director

Date 25th March 2011

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)

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 Engelhard Sales Limited

We have audited the financial statements of Engelhard Sales Limited for the year ended 31 December 2010 set out on pages 7 to 19. 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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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



Independent Auditor's Report to the Members of Engelhard Sales 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 'Philip Cotton'.

P Cotton (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

100 Temple Street

Bristol

BS1 6AG

30 March 2011

ENGELHARD SALES LIMITED

Profit and loss account for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	423,157	345,612
Cost of Sales	3	(419,183)	(343,121)
Gross profit		<u>3,974</u>	<u>2,491</u>
Distribution costs		(1,160)	(1,082)
Administrative expenses		(431)	(330)
Other operating expenses		(489)	(340)
Operating profit	3	<u>1,894</u>	<u>739</u>
Interest receivable and similar income	4	53	50
Profit on ordinary activities before taxation		<u>1,947</u>	<u>789</u>
Tax charge on profit on ordinary activities	5	(578)	(221)
Profit for the financial year		<u><u>1,369</u></u>	<u><u>568</u></u>

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 continuing operations


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

ENGELHARD SALES LIMITED

Balance Sheet at 31 December 2010

	Notes	2010 £000	2009 £000
FIXED ASSETS			
Tangible assets	6	1,573	526
		<u>1,573</u>	<u>526</u>
CURRENT ASSETS			
Stocks		25	24
Debtors amounts falling due within one year	7	13,891	11,530
Cash at bank and in hand		563	659
		<u>14,479</u>	<u>12,213</u>
CREDITORS			
Amounts falling due within one year	8	(9,546)	(7,602)
NET CURRENT ASSETS		<u>4,933</u>	<u>4,611</u>
NET ASSETS		<u>6,506</u>	<u>5,137</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	6,505	5,136
EQUITY SHAREHOLDER'S FUNDS		<u>6,506</u>	<u>5,137</u>

These financial statements were approved by the board of directors on 25th March 2011 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

Company Registration No 933890

ENGELHARD SALES LIMITED

Reconciliation of Movements in Shareholders' Funds – For the year ended 31 December 2010

	2010 £000	2009 £000
Balance at start of year	5,137	4,569
Profit for the financial year	1,369	568
Balance at end of year	<u>6,506</u>	<u>5,137</u>

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

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 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) Going concern

The directors have considered the financial position of the company and have concluded that the company will continue to meet its liabilities as they fall due for the foreseeable future and hence the accounts are prepared on a going concern basis.

(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.

(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.

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

1 ACCOUNTING POLICIES (continued)

(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

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

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	20 years
Plant, machinery, fixtures and fittings, computers and equipment	3 - 9 years

(h) Lease commitments

Amounts due to and from the Company under operating lease agreements are credited/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.

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

1 ACCOUNTING POLICIES (continued)

(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 '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.

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

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

	2010 £000	2009 £000
Geographical area		
United Kingdom	401,111	334,583
Other Europe	18,021	9,575
United States of America	2,458	636
Asia	846	429
South America	-	152
Africa	338	31
Middle East	383	206
	<u>423,157</u>	<u>345,612</u>

Turnover by class of business is analysed as follows

	2010 £000	2009 £000
Refining precious and other metal products	421,777	344,533
Manufacturing and marketing small engineered products	1,380	1,079
	<u>423,157</u>	<u>345,612</u>

3 OPERATING PROFIT

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

	2010 £000	2009 £000
Auditors' remuneration audit of these financial statements	34	33
Operating leases Plant and machinery	24	28
Other	130	130
Depreciation of owned fixed assets	272	166
Loss on foreign exchange	17	44
Realised and unrealised loss on commodity forward contracts	473	296
	<u></u>	<u></u>

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £000	2009 £000
Group undertakings	47	50
Other loans and receivables	6	-
	<u>53</u>	<u>50</u>

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £000	2009 £000
(a) Analysis of charge in period		
UK Corporation tax on profit for the period	520	235
Adjustments in respect of previous periods	30	(49)
Total current tax (<i>see note 5(b)</i>)	<u>550</u>	<u>186</u>
Deferred Tax (<i>see note 8</i>)		
Origination and reversal of timing differences	38	(4)
Adjustments in respect of previous periods	(10)	39
	<u>578</u>	<u>221</u>
(b) Factors affecting tax charge for the period		
Profit on ordinary activities before tax	<u>1,947</u>	<u>789</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	545	221
Effect of		
Expenses not deductible for tax purposes	6	6
Difference between capital allowances and depreciation	(31)	4
Other timing differences	(8)	
Adjustments in respect of previous periods	30	(49)
Other	8	4
	<u>550</u>	<u>186</u>

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

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 2010	46	1,978	253	-	2,277
	Additions		108	5	1,206	1,319
	Disposals	-	-	-	-	-
	At 31 December 2010	<u>46</u>	<u>2,086</u>	<u>258</u>	<u>1,206</u>	<u>3,596</u>
Depreciation	At 1 January 2010	26	1,508	217	-	1,751
	Provided during the year	3	240	29	-	272
	Disposals	-	-	-	-	-
	At 31 December 2010	<u>29</u>	<u>1,748</u>	<u>246</u>	<u>-</u>	<u>2,023</u>
Net Book Value	At 31 December 2010	<u>17</u>	<u>338</u>	<u>12</u>	<u>1,206</u>	<u>1,573</u>
	At 1 January 2010	<u>20</u>	<u>470</u>	<u>36</u>	<u>-</u>	<u>526</u>

The company did not have any finance leases during the year

The annual impairment review recognised plant and warehouse impairment for the year of £111,000 (2009 - £nil)

7 DEBTORS: amounts falling due within one year

	2010 £000	2009 £000
Trade debtors	363	406
Amounts owed by ultimate parent company and fellow subsidiaries	11,992	10,200
Other debtors	1,532	880
Prepayments and accrued income	4	42
Deferred tax assets	-	2
	<u>13,891</u>	<u>11,530</u>

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

8 CREDITORS : amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	6,237	5,112
Amounts owed to ultimate parent company and fellow subsidiaries	730	303
Taxation and social security	1,044	885
Deferred tax provision	26	-
Accruals and deferred income	1,509	1,302
	<u>9,546</u>	<u>7,602</u>

Provision has been made for the full potential deferred tax provision at a corporation tax rate of 27% (2009 28%) Movements on the provision for deferred tax are

	2010 £000	2009 £000
Balance at start of year	(2)	(37)
Amount charged during the year (<i>see note 5</i>)	28	35
Balance at end of year	<u>26</u>	<u>(2)</u>

Deferred taxation provided relates to accelerated capital allowances

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July and will be effective from 1 April 2011. The 2011 Budget on 23rd March 2011 announced the corporation tax rate would instead reduce to 26% from April 2011 with three further annual 1% cuts to 23% by April 2014

Other than the enacted change to 27%, the effects of the announced changes are not reflected in the financial statements for the year ended 31 December 2010 as it has not yet been possible to quantify the full anticipated effect of the announced further reductions, although these will further reduce the company's future current tax charge and reduce the company's deferred tax provision accordingly

9 CALLED UP SHARE CAPITAL

	2010 £000	2009 £000
Allotted, issued and fully paid 1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

10 RETAINED EARNINGS

	Profit and loss account £000
At beginning of year	5,136
Profit for the financial year	1,369
At end of year	<u>6,505</u>

11 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 year. The emoluments of J Setchfield attributable to the Company for the prior year are as follows

	2010 £000	2009 £000
Aggregate emoluments	-	146
Number of directors accruing retirement benefits under Defined benefit schemes	-	1

12 EMPLOYEE INFORMATION

	2010	2009
a) Average number of employees during the year (2009 year to 31 July) including directors		
Manufacturing	-	40
Distribution	-	11
Administration	-	2
	-	53
	£000	£000
b) Employment costs		
Aggregate gross wages and salaries	-	1,057
Employer's NI contributions	-	91
Employer's pension contributions	-	129
	-	1,277

At 1st August 2009 all employees were transferred to Engelhard Metals Limited, a subsidiary of the parent company. From 1st August 2009 costs are recharged from Engelhard Metals Limited for the services performed by staff located at Engelhard Sales Limited.

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

13 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 subsidiary of the 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.

The contributions charge for the Company for the year to was £nil (1 January 2009 to 31 July 2009 £85,000) of which £nil (1 January 2009 to 31 July 2009 £61,000) related to members of the defined benefit plan. As at 31 December 2010, there were no outstanding or prepaid contributions.

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 (2009 £nil).

15 COMMITMENTS

At 31 December 2010 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2010 £000	2009 £000
Land and buildings		
Within one year	-	-
Within two to five years	58	58
After five years	72	72
	<u>130</u>	<u>130</u>
Other assets		
Within one year	14	-
Within two to five years	10	24
	<u>24</u>	<u>24</u>

ENGELHARD SALES LIMITED

Notes to the financial statements - 31 December 2010

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.