# BASF Metal Forwards Limited

Annual Report and Financial Statements
Registered number 03101215
31 December 2016

# Contents

# Strategic Report

### Business review and results

The loss for the financial year was $179,000 (2015: loss $67,000). The equity shareholders' funds at the year end were $53,312,000 (2015: $53,491,000).

BASF Metal Forwards Limited ("the Company") intends to continue its activities of providing hedging services to consumers that wish to hedge their forward platinum group metals price risk. These activities benefit other BASF group companies and thus the Company's main objective is achieved. It continues to monitor and review the current structures regarding the inter-company transactions on a periodic basis.

### Key performance indicators

One of the main key performance indicators for the Company is the volume of platinum group metal traded, on which the Company earns a return. However the volume traded very much depends on the prices for platinum and palladium, the US Dollar and Euro exchange rate and also the overall economic environment.

The other key performance indicator for the Company is result before tax which for the financial year was a loss of $221,000 (2015: loss $85,000), with emphasis on dealing income and operating results.

### Future developments

The Company will continue to offer hedging services to customers, with continued focus on longer dated maturities from which it earns its best returns and which also most benefit other BASF group companies.

On 29 March 2017, Article 50 was triggered starting the process of the UK leaving the European Union. At the date of signing these financial statements, the directors do not foresee any impact on the business in the short term. In the long term it is also thought that there will be no impact on the business but until more details are available this remains uncertain.

Signed on behalf of the Board

V. Vergopoulos

**V Vergopoulos**
*Director*

21st Floor
110 Bishopsgate
London
United Kingdom
EC2N 4AY
24 April 2017

# Directors' Report

The directors present their directors' report and financial statements for the year ended 31 December 2016.

### Principal activities

The Company's principal activity is to facilitate platinum group hedging for its customers. The Company is authorised and regulated by the Financial Conduct Authority to conduct investment business under the Financial Services and Markets Act 2000 (as amended in 2012). The Company has been an Affiliate Member of the London Platinum and Palladium Market since 2013.

### Financial Results

The loss for the financial year was $179,000 (2015: loss $67,000). The equity shareholders' funds at the year end were $53,312,000 (2015: $53,491,000).

### Financial Risk Management

The principle risks associated with the Company are credit, liquidity, market, operational and price risk. The Company is firmly committed to the management of these risks through comprehensive risk management practices as set out in Note 16.

### Financial instruments

A financial instrument is recognised if the Company becomes party to the contractual provisions of the instrument. The Company classifies its financial instruments as per the categories set out in Note 1 (f) & (g). Management determines the classification of the financial instruments at initial recognition and re-evaluates this designation at every reporting date.

### Proposed dividend

The directors do not recommend the payment of a dividend (2015: $nil).

### Directors

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

| | |
|---|---|
| T B Jensen | (resigned 30/06/2016) |
| J Metcalf | |
| V Vergopoulos | |
| S Boegenhold | |
| R Carter | (appointed 01/07/2016) |

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

### 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.

# Directors' report *(continued)*

**Auditor**

Pursuant to section 487 for the Companies Act 2006, the auditor will be deemed to be reappointed, and KPMG LLP will therefore continue in office.

By order of the board

V. Vergopoulos

**V Vergopoulos**
**Director**

21st Floor
110 Bishopsgate
London
United Kingdom
EC2N 4AY
24 April 2017

# 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 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), including FRS 101 Reduced Disclosure Framework. 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 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.

## Independent Auditor's Report to the members of BASF Metal Forwards Limited

We have audited the financial statements of BASF Metal Forwards Limited for the year ended 31 December 2016 as set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 as 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**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 2016 and of its loss 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatement in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## Independent Auditor's Report to the members of BASF Metal Forwards 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.

M.McG

**Michael T McGarry (Senior Statutory Auditor)**
**For and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom
24 April 2017

## Statement of Profit and Loss and Other Comprehensive Income
**for the year ended 31 December 2016**

| | *Note* | **2016 $000** | 2015 $000 |
|---|---|---|---|
| **Dealing Income** | *1 (d)* | **202** | 345 |
| **Gross Profit** | | **202** | 345 |
| Administrative expenses | | **(330)** | (376) |
| Other operating expenses | *2* | **(93)** | (54) |
| **Operating loss** | | **(221)** | (85) |
| **Loss before taxation** | | **(221)** | (85) |
| Tax on loss | *6* | **42** | 18 |
| **Loss for the financial year** | | **(179)** | (67) |

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.

The result for the year and the prior period has arisen from continuing activities.

The accompanying notes from page 10 to 25 form an integral part of these financial statements.

# Balance sheet
**At 31 December 2016**

| | *Note* | **2016** | **2016** | 2015 | 2015 |
|---|---|---|---|---|---|
| | | **$000** | **$000** | $000 | $000 |
| **Non-current assets** | | | | | |
| Derivative financial asset over one year | *9* | | **10,602** | | 36,871 |
| **Current assets** | | | | | |
| Debtors falling due within one year | *7* | **98** | | 24 | |
| Corporation tax | | **56** | | 49 | |
| Investments | 8 | **-** | | - | |
| Cash at bank and in hand | | **53,213** | | 53,524 | |
| Derivative financial asset under one year | *9* | **20,633** | | 28,681 | |
| | | **74,000** | | 82,278 | |
| **Creditors** falling due within one year | *10* | **(55)** | | (106) | |
| Derivative financial liability under one year | *9* | **(20,633)** | | (28,681) | |
| **Net current assets** | | | **53,312** | | 53,491 |
| **Total assets less current liabilities** | | | **63,914** | | 90,362 |
| Derivative financial liability after one year | *9* | | **(10,602)** | | (36,871) |
| **Net assets** | | | **53,312** | | 53,491 |
| **Capital and reserves** | | | | | |
| Called up share capital | *11* | | **41,750** | | 41,750 |
| Profit and loss account | | | **11,562** | | 11,741 |
| **Shareholders' funds** | | | **53,312** | | 53,491 |

The accompanying notes from page 10 to 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 24 April 2017 and were signed on its behalf by:

**V Vergopoulos**
*Director*

Company registered number: 3101215

# Statement of Changes in Equity
**At 31 December 2016**

| | Share Capital $000 | Profit and Loss Account $000 | Total $000 |
|---|---|---|---|
| Balance at 1 January 2015 | 41,750 | 11,808 | 53,558 |
| Loss and total comprehensive income for the period | - | (67) | (67) |
| Balance at 31 December 2015 | 41,750 | 11,741 | 53,491 |
| Balance at 1 January 2016 | 41,750 | 11,741 | 53,491 |
| Loss and total comprehensive income for the period | - | (179) | (179) |
| Balance at 31 December 2016 | 41,750 | 11,562 | 53,312 |

The accompanying notes from page 10 to 25 form an integral part of these financial statements.

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

BASF Metal Forwards Limited (the "Company") is a private company limited by shares, incorporated in England and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 – Reduced Disclosure Framework ("FRS 101").

Under FRS 101, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 (EU-IFRS) and are available to the public and may be obtained from, D67056 – Ludwisgashafen, Germany. In these financial statements, the Company has applied the disclosure exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### (a) Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale.

### (b) Going Concern Basis

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 to 3. The Company has considerable financial resources and the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have considered the guidance issued by the Financial Reporting Council in April 2016 entitled 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks: Guidance for directors of companies that do not apply the UK Corporate Governance Code' in forming an opinion on the ability of the Company to continue as a going concern. Thus they continue to adopt the going concern basis for accounting in preparing the annual financial statements.

### (c) Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the 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 profit and loss account. 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 retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### (d) Dealing income

The directors believe that turnover and cost of sales do not have meaningful equivalents for the business of the Company and, in keeping with similar businesses, these items have not been separately disclosed in the profit and loss account. The directors consider that dealing income, which comprises profits and losses from dealing in metal commodities, is a more relevant measure of activity. Dealing income is recognised in the month the trade is entered into based on a pre-determined formula.

### (e) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### (f) Financial assets

**Initial recognition and measurement**

As per IAS 39, financial assets can be classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the settlement date. The Company's financial assets include cash, trade and other receivables, unquoted financial instruments and derivative financial instruments.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in other operating income or other operating expense in the income statement.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### (f) Financial assets *(continued)*

**Subsequent measurement *(continued)***

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the income statement in other operating expenses.

*Available-for-sale financial assets*

Available-for-sale financial assets consists of equity securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value though profit or loss.

After initial measurement, available-for-sale financial investments should be subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve, unless the asset is impaired, in which case the impairment loss is reported in the profit and loss account. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from the unrealised gains and losses reserve. Fair value is used except in instances where fair value cannot be reliably determined.

The Company did not have any financial assets classified as held-to maturity.

### (g) Financial liabilities

**Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 can be classified either as financial liabilities at fair value through profit or loss or other liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of other liabilities, plus directly attributable transaction costs.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

*Interest bearing borrowings*

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost. These are subsequently measured at amortised cost.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### (h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Company has in place master netting agreements that stipulate if both parties to a transaction are required to make payments under the agreement in the same currency on the same day; the party which owes the higher amount will pay the difference between the amounts owed.

ISDA and similar master netting agreements do not meet the criteria for offsetting in the balance sheet. This is because they create for parties to the agreement a right to set-off recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties or following other predetermined events.

The values of financial assets and financial liabilities offset in the balance sheet are disclosed in Note 16.

### (i) Non derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, loans and borrowings and trade and other creditors.

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in equity securities held by the Company are classified as being available-for-sale and are stated at cost.

### (j) Impairment

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### (k) Derecognition

Financial assets are de-recognised when the rights to receive cash flows from the asset have expired, or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and either substantially all the risks and rewards of ownership have been transferred, or substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit and loss.

### (l) Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 'Reduced Disclosure Framework' requires the Directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingences at the date of the financial statements and the reported income and expense during the reported periods. Although these judgements and assumptions are based on the Director's best knowledge of the amounts, events or actions, actual results may differ from these estimates.

### (m) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### (n) Expenses

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## 2 Other operating expenses

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| Losses from foreign currency transactions | **93** | 54 |

## Notes *(continued)*

### 3 Auditor's remuneration

Included in profit/loss for the year are the following:

| | 2016 $000 | 2015 $000 |
|---|---|---|
| Audit of the financial statements pursuant to legislation: | | |
| - Statutory | 15 | 19 |
| Audit of the financial statements pursuant to legislation: | | |
| - Regulatory | 11 | 13 |

### 4 Staff numbers and costs

The Company does not have any employees. Staff are employed by a subsidiary of the ultimate parent company which recharges costs attributable to work undertaken for the Company.

### 5 Directors' remuneration

None of the directors were employed by the Company. T B Jensen and R Carter were employed by a subsidiary of the ultimate parent company and did not receive any emoluments for their services as directors of the Company. The emoluments of two directors attributable to the Company were as follows.

| | 2016 $000 | 2015 $000 |
|---|---|---|
| Aggregate Directors' emoluments | 16 | 19 |
| Company contributions to money purchase pension plans | 1 | 2 |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was $12,000 (2015: $11,000) and company pension contributions of $1,000 (2015: $2,000) were made to a money purchase scheme on their behalf.

| | Number of directors 2016 | 2015 |
|---|---|---|
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | 3 | 3 |

# Notes *(continued)*

## 6 Taxation

### Recognised in the income statement

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| *UK corporation tax* | | | | |
| Current tax on income for the period | (42) | | (16) | |
| Adjustments in respect of prior periods | - | | (2) | |
| Total current tax | | (42) | | (18) |
| Tax on result on ordinary activities | | (42) | | (18) |

### Reconciliation of effective tax rate

| | 2016 | 2015 |
|---|---|---|
| | $000 | $000 |
| Loss for the year | (179) | (67) |
| Total tax credit | (42) | (18) |
| Loss excluding taxation | (221) | (85) |
| Tax using the UK corporation tax rate of 20% (2015:20.25%) | (44) | (17) |
| Non-deductible expenses | 2 | 1 |
| Over provided in prior years | - | (2) |
| Total tax credit | (42) | (18) |

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016 and substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

# Notes *(continued)*

## 7 Debtors: amounts falling due within one year

| | 2016 | 2015 |
|---|---|---|
| | $000 | $000 |
| Amounts owed by group undertakings | 56 | - |
| Other debtors | 35 | - |
| Prepayments | 7 | 24 |
| | 98 | 24 |

## 8 Investments

As at 31 December 2016, the Company held 8,000 1p B shares in LME Holdings Limited, which were allocated to the Company for nil consideration when it was an Associate Broker Clearing Member.

The directors believe that since there is no active market for the shares, it is appropriate to record them at a carrying value of nil.

Even though the B shares in LME Holdings Limited are freely transferable to any person, the transfers are subject to LME Board approval. These transfers are sporadic and are sold through a matched bargain share dealing service. The published bid-offer prices do not follow an observable correlation between price and the number of shares being traded or between sales occurring within a small period of time. Consequently, the original cost of these shares had been taken as the most reliable best estimate for the fair value.

## 9 Derivative financial assets and liabilities

See accounting policy in Note 1 (f), (g) and (h).

The Company enters into derivative contracts with its corporate customers who are seeking to hedge their forward platinum group metals price exposure by way of cash settled hedge arrangements. The Company in turn hedges these open positions with other Group entities.

The Company has in place master netting agreements that stipulate if both parties to a transaction are required to make payments under the agreement in the same currency on the same day; the party which owes the higher amount will pay the difference between the amounts owed. The figures in the table below reflect the effect of these netting arrangements. Reconciliation between the gross and the net amount derivative financial assets and liabilities is given in Note 16.

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | $000 | $000 | $000 | $000 |
| Derivatives | | | | |
| Current | 20,633 | (20,633) | 28,681 | (28,681) |
| Non-current | 10,602 | (10,602) | 36,871 | (36,871) |
| | 31,235 | (31,235) | 65,552 | (65,552) |

The Company measures fair values using the fair value hierarchy that reflects the significance of inputs used in making the measurements. The derivative financial assets and liabilities of the Company fall within the category of Level 2 (Note 17).

# Notes *(continued)*

## 10 Creditors: amounts falling due within one year

| | 2016 $000 | 2015 $000 |
|---|---|---|
| Amounts owed to group undertakings | **55** | 106 |

## 11 Capital and reserves

### Share capital

| | 2016 $000 | 2015 $000 |
|---|---|---|
| ***Allotted, called up and fully paid*** | | |
| 25,000,000 Ordinary shares of £1 each | **41,750** | 41,750 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 12 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 (2015: Nil).

## 13 Commitments

All other lease contracts are entered into by a fellow subsidiary of the ultimate parent company. The Company is recharged a proportion of these costs each month.

## 14 Related parties

Transactions and balances between group entities which are related parties are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Income received from $000** | **Expenses incurred from $000** | Income received from $000 | Expenses incurred from $000 |
| Ultimate parent | **-** | **54** | - | 55 |
| Other group entities | **195** | **205** | 342 | 189 |
| | **195** | **259** | 342 | 244 |

The following balances were outstanding at the reporting date:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Amounts due from $000** | **Amounts due to $000** | Amounts due from $000 | Amounts due to $000 |
| Ultimate parent | **-** | **(54))** | - | (55) |
| Other group entities | **56** | **(1)** | - | (51) |
| | **56** | **(55)** | - | (106) |

# Notes *(continued)*

### 15 Ultimate parent company and parent company of larger group.

The Company is a wholly owned subsidiary of BASF Catalysts UK Holdings Limited, a company registered in England and Wales. The directors consider the ultimate controlling party to be BASF Societas Europaea (BASF SE), a company incorporated in Germany.

The largest & smallest group in which the results of the Company are consolidated is that headed by BASF SE.

The consolidated financial statements of BASF SE are available to the public and may be obtained from BASF Societas Europaea, D67056 – Ludwigshafen, Germany.

### 16 Financial risk management

The Company has exposure to the following risks from its use of financial instruments in the normal course of the Company's operations:-

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Commodity price risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

**Risk management framework**

The Company is firmly committed to the management of risks, recognising that sound internal risk management is essential to its prudent operation, particularly with the growing complexity, diversity and volatility of markets, facilitated by rapid advances in technology and communications. Risk management is given high priority throughout the Company and is integral to the management of the business.

Responsibility for risk management policies and limits and the level of risks assumed lies with the Board of Directors. The Board charges management with developing, presenting, updating and implementing these policies, controls and limits. The structure is designed to provide assurance that no single event, or combination of events, will materially affect the well-being of the Company.

The Company's Board of Directors and Divisional Management monitor compliance with risk management, assist in assessing market trends, economic and political developments, and providing global strategic direction for all aspects of risk management.

Active, hands-on senior management plays a key role in the identification, evaluation and management of all risks. All credit and new product decisions require direct senior management approval.

The Company has in place an extensive number of limit controls and management information systems to facilitate effective management overview.

The following basic elements of sound risk management are applied to all financial instruments, including derivatives

- appropriate review by the Board of Directors and senior management
- adequate risk management processes which integrate product sectoral risk limits
- sound measurement procedures and information systems
- continuous risk monitoring and frequent management reporting
- segregation of duties, comprehensive internal controls and internal audit procedures

**Credit Risk**

Credit risks arises when counterparties do not fulfil their contractual obligations.

The credit risk management process is performed according to BASF guidelines and these activities include the establishment of customer Credit Limits, the credit hold and release process, the on-going credit review of customer accounts, and timely payment collection of outstanding invoices.

# Notes *(continued)*

## 16 Financial risk management *(continued)*

### Credit Risk *(continued)*

All counterparties are assessed for credit purposes and trading facilities are granted accordingly. 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.

Only counterparties assessed to be creditworthy are dealt with by the company, accordingly no analysis of financial assets by credit rating has been provided.
The Company mitigates the credit risk of derivatives by entering into derivatives under International Swaps and Derivatives Association (ISDA) or similar master netting agreements. In general, under these netting agreements in certain circumstances (e.g. when a credit event such as a default occurs), all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's balance sheet; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, such as derivatives, irrespective of whether they are offset in the balance sheet.

Financial instruments such as debtors and creditors are not disclosed in the tables below unless they are offset in the balance sheet.

*a) Financial assets subject to offsetting, enforceable master netting agreements and similar arrangements*

31 December 2016

| In $'000 | Gross amount of recognised financial assets | Gross amounts of recognised financial liabilities offset in the balance sheet | Net amount of financial assets presented in the balance sheet | Related amounts not offset | Net amount |
|---|---|---|---|---|---|
| Types of financial asset | | | | | |
| Derivative financial assets | 30,288 | (1,844) | 28,444 | (944) | 27,500 |
| Total | 30,288 | (1,844) | 28,444 | (944) | 27,500 |

31 December 2015

| In $'000 | Gross amount of recognised financial assets | Gross amounts of recognised financial liabilities offset in the balance sheet | Net amount of financial assets presented in the balance sheet | Related amounts not offset | Net amount |
|---|---|---|---|---|---|
| Types of financial asset | | | | | |
| Derivative financial assets | 65,528 | (127) | 65,401 | (24) | 65,377 |
| Total | 65,528 | (127) | 65,401 | (24) | 65,377 |

# Notes *(continued)*

## 16 Financial risk management *(continued)*

**Credit Risk** *(continued)*

*b) Financial liabilities subject to offsetting, enforceable master netting agreements and similar arrangements*

31 December 2016

| In $'000 | Gross amount of recognised financial liabilities | Gross amounts of recognised financial assets offset in the balance sheet | Net amount of financial liabilities presented in the balance sheet | Related amounts not offset | Net amount |
|---|---|---|---|---|---|
| Types of financial liability | | | | | |
| Derivative financial liability | 2,788 | (1,844) | 944 | 944 | - |
| Total | 2,788 | (1,844) | 944 | 944 | - |

31 December 2015

| In $'000 | Gross amount of recognised financial liabilities | Gross amounts of recognised financial assets offset in the balance sheet | Net amount of financial liabilities presented in the balance sheet | Related amounts not offset | Net amount |
|---|---|---|---|---|---|
| Types of financial liability | | | | | |
| Derivative financial liability | 151 | (127) | 24 | 24 | - |
| Total | 151 | (127) | 24 | 24 | - |

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the balance sheet on the fair value basis.

The tables below reconcile the 'Net amounts of financial assets and liabilities presented in the balance sheet', as set out above, to the line items presented in the balance sheet.

31 December 2016

| In $'000 | Net amount | Line item in balance sheet | Carrying amount in balance sheet | Financial assets not in scope of offsetting disclosures | Note |
|---|---|---|---|---|---|
| Type of financial asset | | | | | |
| Derivative financial asset | 28,444 | Derivative financial asset (current and non-current) | 31,235 | 2,791 | 9 |
| Type of financial liability | | | | | |
| Derivative financial liability | 944 | Derivative financial liability (current and non-current) | 31,235 | 30,291 | 9 |

31 December 2015

| In $'000 | Net amount | Line item in balance sheet | Carrying amount in balance sheet | Financial assets not in scope of offsetting disclosures | Note |
|---|---|---|---|---|---|
| Type of financial asset | | | | | |
| Derivative financial asset | 65,401 | Derivative financial asset (current and non-current) | 65,552 | 151 | 9 |
| Type of financial liability | | | | | |
| Derivative financial liability | 24 | Derivative financial liability (current and non-current) | 65,552 | 65,528 | 9 |

# Notes *(continued)*

## 16 Financial risk management *(continued)*

### Credit Risk *(continued)*

The maximum exposure to credit risk at the balance sheet date was $84,504,000 (2015: $119,076,000) being the total of the carrying amount of financial on balance sheet assets. This exposure is limited by $1,844,000 (2015: $127,000) of offsetting derivatives with the same counter party.

The Company has no material exposure to external trade debtors.

The Company's financial assets for which an aging analysis is applicable consist only of amounts owed by group entities. No amount is past due as at 31 December 2016. Accordingly, no such analysis has been provided.

*Sovereign Risk*

The Company's group parent has established procedures to manage country risk, given that during the year there continued to be periods of significant volatility in Eurozone bond markets.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due as a result of a mismatch in cash flows arising from liabilities and assets. To mitigate this risk, the liquidity structure of assets, liabilities and commitments is managed so that the resultant cash flows are appropriately balanced to ensure that all obligations can be met when due.

The Company's derivative financial instruments are hedged with other group entities in order to hedge open positions and resultant liquidity risk. As a result of these arrangements, all the cash inflows are exactly matched with the cash outflows on these financial instruments.

The following tables set out the contractual maturities of financial liabilities.

| 31 December 2016 | Carrying amount $000 | Under 3 months $000 | 3-12 months $000 | 1-2 years $000 | Over 2 years $000 | Total $000 |
|---|---|---|---|---|---|---|
| Derivatives | **31,235** | **5,145** | **15,488** | **5,806** | **4,796** | **31,235** |
| Non-derivatives: | | | | | | |
| Amounts owed to group companies | **55** | **55** | **-** | **-** | **-** | **55** |
| Total | **31,290** | **5,200** | **15,488** | **5,806** | **4,796** | **31,290** |

| 31 December 2015 | Carrying amount $000 | Under 3 months $000 | 3-12 months $000 | 1-2 years $000 | Over 2 years $000 | Total $000 |
|---|---|---|---|---|---|---|
| Derivatives | 65,552 | 10,694 | 17,987 | 21,242 | 15,629 | 65,552 |
| Non-derivatives: | | | | | | |
| Amounts owed to group companies | 106 | 106 | - | - | - | 106 |
| Total | 65,658 | 10,750 | 17,987 | 21,242 | 15,629 | 65,658 |

Trading liabilities and derivatives have been allocated a liquidity outflow based on the contractual maturity of the instrument.

# Notes *(continued)*

## 16 Financial risk management *(continued)*

### Market Risk

Market risk is the risk of loss from changes in market prices and rates, the correlations among them, and their levels of volatility.

The Company's trading activities are accounted for on a mark-to-market basis, and financial assets, financial liabilities and derivatives which form part of such activities are accounted for at fair value through the profit and loss account.

Trading limits of precious metal positions are established for each trading book, individual limits are allocated to each legal entity within the division which take into account volumetric and market value considerations and are subject to regular review. All trading limits are monitored daily by the Operations department and are signed off by the Operations Manager. The Finance department, with the help of the dealing desk, uses a variety of tools that are available to them in order to monitor price movements.

All exposures are marked-to-market and monitored against their respective limits on a daily basis.

No sensitivity analysis has been performed because all derivatives are hedged with equivalent derivatives and so the company has no exposure to market risk. These derivatives are economic hedges matched in maturity and underlying asset, and the credit rating of the hedging counterparties are equivalent. Consequently, no separate table has been disclosed.

*Foreign Currency Risk*

Currency risk arises as a result of the Company having financial assets and liabilities denominated in a number of foreign currencies. Currency transactions are matched where possible in order to eliminate currency exposures. The Company does not actively speculate in foreign currencies and does not deal in foreign exchange forwards, options or futures except to the limited extent necessary to hedge cash flows arising from its own activities.

*Interest Rate Risk*

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustments within a specific period. The Company utilises swaps when required by particular customer transactions, but hedges its position using a back to back contract with other group companies to mitigate any exposures from these transactions. As a result, the Company does not have a material exposure to interest rate risk.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems, or from external events.

Operational risks are managed and controlled within the individual business lines and a wide variety of checks and balances to address operational risks have been developed as an important part of the Company's risk management culture. They include adoption of the overall, group-wide standards and policies established by the Ultimate Parent (BASF SE) to ensure proper risk analysis and control, including risk management policies, a rigorous planning process, regular organisational review, through enforcement of the Company's Guidelines on Business Conduct and clearly defined and documented approval authorities.

The Company is also subject to a documented compliance program, the elements of which are regulatory awareness, regulatory risk assessment, compliance monitoring and reporting. Regular audits by the Internal Audit Department which includes comprehensive reviews of the design and operation of internal control systems in all business and support groups, new products and systems and the reliability and integrity of data processing operations. The Company's management approves an annual audit scope and plan and reviews all subsequent reports and management responses to ensure appropriate corrective action is taken.

# Notes *(continued)*

## 16 Financial risk management *(continued)*

### Commodity price risks

The Company constantly monitors the risks by a combination of internal reports and external market information system. The exposure related to this risk is reduced due to natural hedges based on the contract terms with counterparties. If necessary the Company enters into hedging activities in order to further reduce the exposure.

## 17 Fair value of financial instruments

The Company determines fair values of financial instruments not traded in active markets by the use of valuation techniques. Financial instruments that trade infrequently or have little price transparency require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

*Level 1* – inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

*Level 2* – inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. as derived from prices).

*Level 3* – inputs that are unobservable, thereby allowing for situations in which there is little, if any, market activity for the instrument.

The fair values of derivative financial instruments are determined in a valuation model using market prices as its basis for calculation. Where prices are not available for longer dated instruments, this model assumes that the calculated forward prices will continue along the curve created by prices already observed within the model.

There is no impact on the fair value measurements on the profit or loss as all derivatives are equally hedged.

*Financial instruments measured at fair value – fair value hierarchy*

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the balance sheet.

| | | | **2016** | | |
|---|---|---|---|---|---|
| | *Note* | **Level 1** | **Level 2** | Level 3 | Total |
| | | **$000** | **$000** | $000 | $000 |
| Derivative Financial Assets | 9 | - | **31,235** | - | **31,235** |
| **Total** | | - | **31,235** | - | **31,235** |
| Derivative Financial Liabilities | 9 | - | **(31,235)** | - | **(31,235)** |
| **Total** | | - | **(31,235)** | - | **(31,235)** |

# Notes *(continued)*

## 17 Fair value of financial instruments *(continued)*

*Financial instruments not measured at fair value*

The fair value of financial instruments not carried at fair value is a reasonable approximation of the fair values of these instruments.

No fair value disclosures are provided for equity instrument securities that are measured at cost because their fair value cannot be reliably measured. These are investments in LME shares for which shares no active market exists. The cost of these shares was $nil (2015: $nil).

## 18 Capital Management

The Company complies with the Capital Adequacy (for Firms Subject to IPRU (INV) Chapter 3).

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain the future development of the business. The Company calculates its capital adequacy on a daily basis by comparing the total capital requirement to capital available to meet this requirement (Regulatory Capital). At 31 December 2016 and throughout the year, the Company had maintained Regulatory Capital in excess of the externally required total capital requirements.

The Company's regulatory capital position as at 31 December was as follows.

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| **Balance sheet:** | | |
| Share Capital | **41,750** | 41,750 |
| Profit & Loss Reserve | **11,562** | 11,741 |
| **Total Tier 1 Capital** | **53,312** | 53,491 |
| **Total Regulatory Capital** | **53,312** | 53,491 |

The Regulatory Capital shown above differs from that reported to the PRA because retained profits cannot be included until such time as the Financial Statements for the relevant period have been audited and approved.

Appendix A (Unaudited)

***Pillar 3 disclosure***

BASF Metal Forwards Limited is authorised by the Financial Conduct Authority (FCA) to conduct business under the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012. The company is classified as an "Exempt BIPRU Commodities Firm" by the FCA. In accordance with the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") of the FCA, Exempted BIPRU Commodities firms are required to make certain disclosures to market participants. These are known as Pillar 3 disclosures.

The Pillar 3 disclosure for BASF Metal Forwards Ltd is published on the website shown below.

https://www.basf.com/gb/en/company/about-us/BASF-in-the-United-Kingdom/BASF-Metals-Forwards-Limited--BMFL-.html