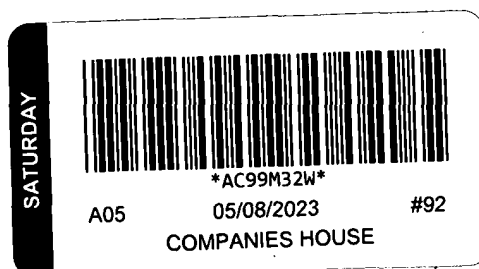


BASF Metals Limited

Annual Report and Financial Statements

Registered number 01657318

31 December 2022



Contents

Strategic Report	1
Directors' Report	4
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	6
Independent Auditor's Report to the members of BASF Metals Limited	7
Statement of Profit and Loss and Other Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes	14

Strategic Report

Principal activities

The Company's principal activity is to ensure competitive, efficient supply and distribution of the platinum group metals required by BASF's operating divisions and third-party customers. The Company's activities include sourcing physical metal from primary producers and from the metal recycling business, and hedging price risk associated with supply. The Company is active in the precious metal markets, utilising the skills of its trading expertise to manage price risk and generate profits. The Company is a full member of both the London Platinum and Palladium Market and the London Bullion Market Association.

The main objectives of the Company are to ensure supply of platinum group metals to all of BASF's operating divisions while at the same time taking advantage of opportunities in the precious metal markets as and when they exist, to grow profit.

All business activities will be in line with the following cultural priorities of the BASF Catalysts division:

- Make safety & responsible care our top priority
- Operate in a consistently compliant way
- Lead through innovation
- Achieve excellence in execution

Business review and results

The profit for the financial year was \$31,797,000 (2021: profit \$61,759,000). The equity shareholders' funds at the year end were \$154,984,000 (2021: \$184,791,000). The geo-political tensions between Russia and Ukraine led to a high level of price volatility during the year.

Key performance indicators

The key performance indicator for the Company is profit before tax, which for the financial year was \$38,502,000 (2021: \$75,778,000), with emphasis on dealing income and operating result. Dealing income (which comprises profits and losses from dealing in metal commodities) decreased from \$96,210,000 in 2021 to \$65,168,000 in 2022. Operating result, which comprised dealing income, administrative expenses and other operating income & expenses decreased from \$80,332,000 in 2021 to \$50,959,000 for the current year.

Financial Risk Management

The principal 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 24.

Employees

The Company has continued its policy of maintaining employee awareness by communicating with employees on all matters of concern. In particular, all employees are kept aware of the financial and economic factors affecting the performance of the Company.

Employment of disabled persons

The Company gives full and fair consideration to employment applications from disabled persons, having regard to the aptitudes and abilities of the applicant and the nature of work involved. The Company uses all reasonable endeavours to provide continued and any necessary retraining to any employees becoming disabled during employment, and to give all employees equal opportunities for training, career development and promotion.

Future developments

The Company's primary focus will continue to be the supply, distribution and price risk management of platinum group metals to BASF and third-party customers. The Company is also looking for business opportunity in the 'Clean Air', green Hydrogen and decarbonisation areas, with a new hydrogen commercial team in place for 2023. This will be a growth area requiring the use of Precious Metals Materials.

Strategic Report (*continued*)

Statement by the Directors in the performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of the Company, and each Director, have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the Company's various stakeholders and other matters set out in s172(1)(a-f) of the Act).

Upon appointment, each Director receives training on their duties and obligations under the Act. The following paragraphs summarise how the Directors fulfil their duties with respect to s172

Business planning and decision making

The Company has a sufficient target capital base to achieve its budget. The Board considers any likely consequences of any decisions in the long term with consideration made with regards to the impact on the Company's regulatory compliance framework and its investment risk framework. The management reviews capital and liquidity plan on regular basis.

Risk management

Our activities are highly monitored and as such it is important that the Company has an effective risk management framework in place.

Business Relationships

The business strategy of the Company prioritises organic growth of the net trading book revenues through the development of new strategies and improving the performance of existing strategies. The Company is dependent upon external factors such as volatility and volume in the markets the Company trades on. To enable the Company to achieve this strategy, the Directors of the Company ensure that the Company's employees develop and maintain strong relationships with its brokers, counterparties and trading venues.

Business Conduct

The Directors have a duty to ensure that the Company maintains the highest standards of conduct. The Directors receive regular updates from the Company's compliance team, including key performance indicators arising from the monitoring of trading behaviour.

Strategic Report (*continued*)

Statement by the Directors in the performance of their statutory duties in accordance with s172(1) Companies Act 2006 (*continued*)

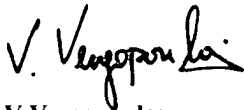
Community and Environment

The Board of Directors considers the impact of the Company's operations on the community and the environment.

Engaging with our shareholder

As the Board of Directors, our intention is to behave responsibly towards our shareholder and treat the shareholder adequately, so the shareholder may benefit from the success delivery of our business plan.

Signed on behalf of the Board



V Vergopoulos
Director

21st Floor
110 Bishopsgate
London
United Kingdom
EC2N 4AY
3rd August 2023

Directors' Report

The directors present their directors' report and financial statements for the year ended 31 December 2022 which have been prepared on the going concern basis, as the Directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future (Note 1 (b)).

Financial results

The profit for the financial year was \$31,797,000 (2021: profit \$61,759,000). The equity shareholders' funds at the year end were \$154,984,000 (2021: \$184,791,000).

Going concern assessment

The Directors have made an assessment in preparing these financial statement as to whether the group is a going concern, covering a period of at least 12 months from the date of approval of these financial statements. The Company is expected to generate positive cashflows and, in view of the current market conditions, the Directors have considered existing and future funding lines, an extreme stressed scenario where there is no revenue for the next 12 months, as well as its short-term trading operations and are satisfied about the Company's ability to meet obligations as they fall due.

The Directors confirm the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the Company's financial statements have been prepared on a going concern basis.

Proposed dividend

The directors propose a dividend of \$61,759,000 (\$21.30 per share) in respect of the previous year ended 2021.

Dividends paid during the year comprised a final dividend of \$61,604,000 (\$21.20 per share) in respect of the year ended 2020.

Directors

The directors who held office during the year ended 31 December 2022 were as follows:

J Metcalf
V Vergopoulos
S Boegenhold
T Birk (resigned on 01/01/2023)

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

Political and charitable contributions

During the year the Company made charitable donations of \$16,397 (2021: \$14,812). The Company did not incur any political expenditure during the year (2021: \$nil).

Directors' Report (*continued*)

Business review, subsequent events and indication of likely future developments

Detailed information around each of these reported items is provided as part of the Strategic Report on pages 1 to 3.

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 LLP will therefore continue in office.

Streamlined energy and carbon reporting

The Company meets the definition of a large company and therefore is required to consider the regulations with respect to streamlined energy and carbon reporting. The nature of the Company's business is as a small trading office. Given the limited number of employees and office space used by the Company, the directors believe that the Company qualifies as a low energy user and is exempt from reporting under these regulations.

By order of the Board



V Vergopoulos
Director

21st Floor
110 Bishopsgate
London
United Kingdom
EC2N 4AY
3rd August 2023

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 judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Independent Auditor's Report to the members of BASF Metals Limited

Opinion

We have audited the financial statements of BASF Metals Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of senior management and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent Auditor's Report to the members of BASF Metals Limited (*continued*)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

We identified a risk of fraud over the existence and accuracy of unconfirmed derivatives in response to potential pressures to meet profit targets.

On this audit we do not believe there is a fraud risk related to revenue recognition as revenue is calculated based on either cash received from counterparties or independent price inputs for derivatives with little to no judgement involved in revenue recognition.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to seldom used accounts, those posted by an individual with only one journal posting in the period, and manual journal entries posted to revenue around year end.
- Requesting confirmations from all derivative counterparties at year end to verify the existence and accuracy of all open derivatives.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the financial nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

Independent Auditor's Report to the members of BASF Metals Limited (*continued*)

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Independent Auditor's Report to the members of BASF Metals Limited (*continued*)



James Keljik (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
Date: 3rd August 2023

Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December 2022

	<i>Note</i>	2022 \$000	2021 \$000
Dealing income	1 (e)	65,168	96,210
Gross profit		65,168	96,210
Administrative expenses		(26,491)	(25,345)
Other operating income	2	12,282	9,467
Operating profit		50,959	80,332
Interest receivable and similar income	6	200	31
Interest payable and similar expenses	7	(12,657)	(4,585)
Profit before taxation		38,502	75,778
Tax on profit	8	(6,705)	(14,019)
Profit after taxation		31,797	61,759
Other comprehensive income		-	-
Total comprehensive income for the year		31,797	61,759

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

The accompanying notes from page 14 to 35 form an integral part of these financial statements.

Balance Sheet at 31 December 2022

	Note	2022 \$000	2021 \$000
Fixed assets			
Intangible fixed assets	9	35	53
Tangible fixed assets	10	4,701	5,147
Investments	11	660	660
		<u>5,396</u>	<u>5,860</u>
Non current assets			
Derivative financial assets over one year	12	57,009	117,911
Current assets			
Precious metal trading position		437,500	139,229
Derivative financial assets under one year	12	245,711	246,208
Debtors: amounts falling due within one year	13	153,041	601,643
Cash at bank and in hand		858	399
		<u>837,110</u>	<u>987,479</u>
Creditors: amounts falling due within one year	14	(383,849)	(516,807)
Derivative financial liabilities under one year	12	(88,999)	(289,365)
		<u>364,262</u>	<u>181,307</u>
Total assets less current liabilities		<u>426,667</u>	<u>305,078</u>
Creditors: amounts falling due after one year	15	(259,687)	(110,702)
Derivative financial liabilities over one year	12	(11,996)	(9,585)
		<u>154,984</u>	<u>184,791</u>
Capital and reserves			
Called up share capital	19	4,760	4,760
Profit and loss account		150,224	180,031
		<u>154,984</u>	<u>184,791</u>
Shareholders' funds		<u>154,984</u>	<u>184,791</u>

The accompanying notes from page 14 to 35 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 3rd August 2023 and were signed on its behalf by:



V Vergopoulos
Director
3rd August 2023

Company registered number: 1657318

Statement of Changes in Equity
at 31 December 2022

	Share Capital \$000	Profit and Loss Account \$000	Total \$000
Balance at 1 January 2021	4,760	128,150	132,910
Profit and total comprehensive income for the period	-	61,759	61,759
Dividends paid	-	(9,878)	(9,878)
Balance at 31 December 2021	4,760	180,031	184,791
Balance at 1 January 2022	4,760	180,031	184,791
Profit and total comprehensive income for the period	-	31,797	31,797
Dividends paid	-	(61,604)	(61,604)
Balance at 31 December 2022	4,760	150,224	154,984

Share Capital comprises the allotted, called up and fully paid ordinary shares of the company (Note 19).

Profit and Loss Account comprises the accumulated profits of the company less dividends paid to shareholders since incorporation.

The accompanying notes from page 14 to 35 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

BASF Metals Limited (the “Company”) is a private company limited by shares incorporated, registered and domiciled in the UK.

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 (“UK-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 which 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 – Ludwigshafen, 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;
- Disclosure in respect of transactions with fully consolidated group companies;
- 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 for derivative financial instruments which are stated at their fair value.

(b) Going concern basis

The Directors have made an assessment in preparing these financial statements as to whether the Company is a going concern, covering a period of at least 12 months from the date of approval of these financial statements. The Company is expected to generate positive cashflows and, in view of the current market conditions, the Directors have considered existing and future funding lines, an extreme stressed scenario where there is no revenue for the next year, as well as its short-term trading operations and are satisfied about the Company’s ability to meet obligations as they fall due. The Company participates in the BASF Group cash pooling facility and has access to the cash deposits in the pool account. The Group treasury would fund this account as required in the event of any shortfalls.

The Directors confirm the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the Company financial statements have been prepared on a going concern basis.

(c) Precious metal trading position

For the valuation of inventories in the precious metals trading business, the Company applies the exception for commodity broker-traders under IAS 2. Accordingly, inventories held exclusively for trading purposes are to be measured at fair value. Changes in value are recognised in the statement of profit and loss.

Notes (continued)

1 Accounting policies (continued)

(d) 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 statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(e) 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 Statement of profit and loss. The directors consider that dealing income, which comprises profits and losses from dealing in metal commodities (physical and derivatives), is a more relevant measure of activity. This income is accounted for in accordance with IFRS 9. Also included is precious metal leasing income and expense.

(f) Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

(g) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 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.

(h) Financial instruments

Initial recognition and measurement

Trade receivables are initially recognised when they are originated, all other financial assets and financial liabilities are initially recognised when the company becomes party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes (continued)

1 Accounting policies (continued)

(h) Financial instruments (continued)

Classification and subsequent measurement

Financial assets – classification

The classification and measurement of financial assets is based on the contractual cash flow characteristics and the business model used for managing financial assets.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost, including all derivative financial assets, are measured at fair value through profit and loss (FVTPL).

Financial assets – subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by expected credit losses recognised in profit or loss. Interest income, foreign exchange gains and losses and any gain or loss on derecognition are recognised in profit or loss.

Financial assets at FVTPL are subsequently measured at fair value with changes in fair value recognised in dealing income in the statement of profit and loss. This category includes derivative financial instruments.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value with any net gains and losses (including interest expense) recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense, foreign exchange gains and losses and any gain or loss on derecognition are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the Company no longer has a contractual right to the cash flows from the financial asset or when the financial asset is transferred together with all material risks and rewards of ownership and the Company does not have control of the financial asset after it has been transferred. Financial liabilities are derecognised when the contractual obligations expire, are discharged or cancelled.

Derivative financial instruments

Derivative financial instruments entered into by the Company are not designated as hedging instruments in hedge relationships as defined by IFRS 9. These are carried in the balance sheet at fair value, with changes in fair value recognised in dealing income in the statement of profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 meet the criteria for offsetting in the balance sheet. This is because firstly, they create for parties to the agreement a legally enforceable right to set-off the recognised amount; and secondly that both parties to these agreements regularly engage in settlement on a net basis.

The values of financial assets and financial liabilities offset in the balance sheet are disclosed in Note 24.

Notes (continued)

1 Accounting policies (continued)

(h) Financial instruments (continued)

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets held at amortised cost.

Impairments are recognised for ECLs at the time of subsequent measurement. The extent of ECLs is determined based on the credit risk of a financial asset and any changes to this credit risk. If the credit risk of a financial asset has increased significantly since initial recognition, ECLs are generally recognised over the lifetime of the asset. If the credit risk has not increased significantly in this period, impairments are generally only recognised for the 12-month ECLs. Under the simplified approach for determining ECLs permitted by IFRS 9, impairments for trade receivables always cover the lifetime ECLs of the receivable concerned.

The credit risk of a financial asset is assessed using both internal information and external rating information on the respective counterparty and are reviewed annually.

Regional and, in certain circumstances, industry-specific factors and expectations are taken into account when assessing the need for a valuation allowance as part of the calculation of ECLs and individual valuation allowances. In addition, internal and external ratings and the assessments of debt collection agencies are used when available. Individual valuation allowances are also based on experience and customer-specific risks. ECLs and individual valuation allowances are only calculated for those receivables not covered by insurance or other collateral.

A decrease in valuation allowances due, for example, to a reduction in credit risk of a counterparty is recorded in profit or loss.

At each reporting date the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

(i) Intangible fixed assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of each asset from the date they are available for use. The estimated useful lives are:

	Depreciation rate (%) or period	Method
Software	Over 3 years	Straight line

(j) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixtures, Fittings, Computers and Equipment that had been revalued to fair value on or prior to 1 January 2012, the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Notes (continued)

1 Accounting policies (continued)

(j) Tangible fixed assets (continued)

Depreciation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

	Depreciation rate (%) or period	Method
Leasehold improvements	Over the lease term of 5 years	Straight line
Right of use buildings	Over the remaining lease term	Straight line
Fixtures, Fittings, Computers and Equipment	Over 2 to 5 years	Straight line
Motor vehicles	Over 2 to 5 years	Straight line

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

(k) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company separates non-lease components, such as services, from total lease payments. Where an extension or termination option is present, these are only taken into consideration in the measurement of the lease liability when it is reasonably certain that the option will be exercised. Estimates and expectations which are applied at the commencement date of the lease relating to future payments are assessed continuously during the lease term.

If an existing lease contract is modified, the lease liability and right-of-use asset are remeasured. The lease liability is remeasured when there is a change in future lease payments or if the Company changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Company presents right-of-use assets in tangible fixed assets and lease liabilities in creditors in the balance sheet.

The Company enters into commercial metal lease agreements which are not in scope of IFRS16.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies 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.

The key area of estimation and judgement is the valuation of derivative financial instruments which is determined using a valuation model based on market prices.

Notes (continued)

1 Accounting policies (continued)

(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) Interest

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the statement of profit and loss (see foreign currency accounting policy). 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.

2 Other operating income

	2022 \$000	2021 \$000
Income from group undertakings	4,551	4,206
Income from foreign currency transactions	7,731	5,261
	<u>12,282</u>	<u>9,467</u>

3 Expenses and Auditor's remuneration

Included in profit on ordinary activities before taxation are the following:

	2022 \$000	2021 \$000
Audit of the financial statements pursuant to legislation:		
- Statutory	355	193
Depreciation	561	589
Amortisation	27	26
	<u>943</u>	<u>808</u>

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2022	2021
Manufacturing	29	23
Selling, administration and distribution	52	47
	<u>81</u>	<u>70</u>

Which includes BASF Metals Recycling Limited staff of:

	Number of employees 2022	2021
Manufacturing	29	23
Selling, administration and distribution	19	15
	<u>48</u>	<u>38</u>

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2022 \$000	2021 \$000
Wages and salaries	12,740	14,138
Social security costs	1,520	1,755
Contributions to defined contribution plans	786	690
	<u>15,046</u>	<u>16,583</u>

The Company recharges the payroll costs of employees working for BASF Metals Recycling Limited at cost.

5 Directors' remuneration

T Birk is employed by a subsidiary of the ultimate parent company and did not receive any emoluments for their services as director of the Company. The emoluments of J Metcalf, V Vergopoulos and S Boegenhold attributable to the Company were as follows:

	2022 \$000	2021 \$000
Aggregate directors' emoluments	2,976	3,402
Company contributions to money purchase pension plans	21	23
	<u>2,997</u>	<u>3,425</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was \$1,699,000 (2021: \$1,926,000) and company pension contribution of \$nil (2021: \$nil) was made to a money purchase scheme on the director's behalf.

	Number of directors 2022	2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

6 Interest receivable and similar income

	2022 \$000	2021 \$000
Amounts receivable from group undertakings	143	-
Other interest receivable	57	31
	<u>200</u>	<u>31</u>

Notes (continued)

7 Interest payable and similar expenses

	2022 \$000	2021 \$000
Amounts payable to group undertakings	12,582	4,580
Other interest payable	75	5
	<u>12,657</u>	<u>4,585</u>

8 Taxation

Recognised in the statement of profit and loss

	2022 \$000	2022 \$000	2021 \$000	2021 \$000
<i>UK corporation tax</i>				
Current tax on income for the period	7,028		14,548	
(Over)/under provided in prior periods	6		(132)	
	<u>7,034</u>		<u>14,416</u>	
Total current tax		7,034		14,416
Deferred tax (see Note 17)				
Origination and reversal of temporary differences	(424)		(394)	
Adjustments in respect of prior periods	95		(3)	
	<u>(329)</u>		<u>(397)</u>	
Total deferred tax		(329)		(397)
Tax on profit on ordinary activities		<u>6,705</u>		<u>14,019</u>

Reconciliation of effective tax rate

	2022 \$000	2021 \$000
Profit for the year	31,797	61,759
Total tax expense	6,705	14,019
	<u>38,502</u>	<u>75,778</u>
Profit excluding taxation		
Tax using the UK corporation tax rate of 19% (2021: 19%)	7,314	14,398
Non-deductible expenses	(608)	11
Non-taxable income	-	-
Deferred tax relating to changes in tax rates	(102)	(255)
Over provided in prior years	101	(135)
	<u>6,705</u>	<u>14,019</u>
Total tax expense		

An increase in the UK corporation tax charge to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021 and will increase the Company's future tax charge accordingly.

Notes (continued)

9 Intangible fixed assets

	Software \$000	Total \$000
Cost		
Balance at 1 January 2021	-	-
Additions	79	79
Disposals	-	-
	<hr/>	<hr/>
Balance at 31 December 2021 and 1 January 2022	79	79
Additions	9	9
Disposals	-	-
	<hr/>	<hr/>
Balance at 31 December 2022	88	88
	<hr/> <hr/>	<hr/> <hr/>
Amortisation		
Balance at 1 January 2021	-	-
Amortisation charge for the year	26	26
Disposals	-	-
	<hr/>	<hr/>
Balance at 31 December 2021 and 1 January 2022	26	26
Amortisation charge for the year	27	27
Disposals	-	-
	<hr/>	<hr/>
Balance at 31 December 2022	53	53
	<hr/> <hr/>	<hr/> <hr/>
Net book value		
At 1 January 2021	-	-
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021 and 1 January 2022	53	53
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2022	35	35
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Tangible fixed assets

	Right of use buildings	Leasehold improvement	Fixtures, Fittings, Computer and Equipment	Motor vehicles	Total
	\$000	\$000	\$000	\$000	\$000
Cost					
Balance at 1 January 2021	1,562	548	566	108	2,784
Additions	4,905	44	133	-	5,082
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021 and 1 January 2022	6,467	592	699	108	7,866
Additions	-	4	111	-	115
Disposals	-	-	(97)	-	(97)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	6,467	596	713	108	7,884
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment					
Balance at 1 January 2021	1,047	548	526	9	2,130
Depreciation charge for the year	523	6	39	21	589
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021 and 1 January 2022	1,570	554	565	30	2,719
Depreciation charge for the year	490	9	40	22	561
Disposals	-	-	(97)	-	(97)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	2,060	563	508	52	3,183
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 1 January 2021	515	0	40	99	654
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	4,897	38	134	78	5,147
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	4,407	33	205	56	4,701
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Investments

	Shares in Group Undertaking \$000
Cost	
At the beginning of the year	660
	<hr/>
At the end of the year	660
	<hr/>

Investments held at 31 December 2022

	Class of shares held	Ownership 2022	2021
The Sheffield Smelting Company, Limited	Preference shares	100%	100%
The Sheffield Smelting Company, Limited	Ordinary shares	100%	100%

The registered office of The Sheffield Smelting Company, Limited is 4th and 5th Floors 2 Stockport Exchange, Railway Road, Stockport, SK1 3GG.

12 Derivative financial assets and liabilities

See accounting policy in Note 1 (h).

The Company enters into derivative contracts with its customers which comprise precious metal forwards, futures and options held for trading and foreign exchange forward contracts.

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 of derivative financial assets and liabilities is given in Note 24.

	2022		2021	
	Assets \$000	Liabilities \$000	Assets \$000	Liabilities \$000
Derivatives				
Current	245,711	88,999	246,208	289,365
Non-current	57,009	11,996	117,911	9,585
	<hr/>	<hr/>	<hr/>	<hr/>
	302,720	100,995	364,119	298,950
	<hr/>	<hr/>	<hr/>	<hr/>

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 categories of Level 1 and Level 2 (Note 25).

Notes (continued)

13 Debtors: amounts falling due within one year

	2022 \$000	2021 \$000
Trade debtors	28,504	166
Amounts owed by ultimate parent company and fellow subsidiaries	80,929	469,374
Expected credit losses	(88)	(25)
Other debtors	41,989	130,827
Deferred tax assets	1,392	1,063
Prepayments and accrued income	315	238
	<u>153,041</u>	<u>601,643</u>

14 Creditors: amounts falling due within one year

	2022 \$000	2021 \$000
Lease liabilities (Note 20)	460	67
Trade creditors	57,280	74,643
Amounts owed to group undertakings	285,267	57,006
Other creditors	33,853	363,566
Accruals	857	1,567
Provisions (Note 16)	4,060	5,724
Current tax payable	2,072	14,234
	<u>383,849</u>	<u>516,807</u>

15 Creditors: amounts falling due after one year

	2022 \$000	2021 \$000
Lease liabilities (Note 20)	3,836	4,827
Amounts owed to group undertakings	250,000	100,000
Provisions (Note 16)	5,851	5,875
	<u>259,687</u>	<u>110,702</u>

16 Provisions

	Employee Obligations \$000	Other \$000	Total \$000
Balance at 1 January 2022	11,378	221	11,599
Provisions made during the year	10,372	-	10,372
Provisions used during the year	(7,537)	-	(7,537)
Provisions reversed during the year	(4,124)	-	(4,124)
Translation adjustment	(375)	(24)	(399)
	<u>9,714</u>	<u>197</u>	<u>9,911</u>
Balance at 31 December 2022	9,714	197	9,911

Notes (continued)

16 Provisions (continued)

Provisions are comprised of amounts due within 1 year of \$4,060,000 (2021: \$5,724,000) and amounts due after 1 year of \$5,851,000 (2021: \$5,875,000).

Employee obligations consist of variable compensation including associated social security contributions. The balance as at 31 December 2022 is expected to be utilised within the next 2 years.

Other provisions consist of dilapidations which is the estimated cost of returning the Company's leased offices to their original condition. The amount would be incurred when the Company terminates the lease.

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000
Tangible fixed assets	71	75	-	-	71	75
Employee benefits	1,271	932	-	-	1,271	932
Provisions	50	56	-	-	50	56
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax assets	1,392	1,063	-	-	1,392	1,063
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the year

	1 January 2022	Recognised in income	Recognised in equity	31 December 2022
	\$000	\$000	\$000	\$000
Tangible fixed assets	75	(4)	-	71
Employee benefits	932	339	-	1,271
Provisions	56	(6)	-	50
	<hr/>	<hr/>	<hr/>	<hr/>
	1,063	329	-	1,392
	<hr/>	<hr/>	<hr/>	<hr/>

18 Employee benefits

Defined benefit scheme

The Company participates in the BASF (UK) Group Pension Scheme. The Company introduced the defined contribution plan on 6 April 1998 for new employees. Employees who were already members of the defined benefit plan were offered the opportunity to transfer to the new defined contribution plan. From 1 April 2012 any remaining members of the defined benefit plan were transferred to the defined contributions plan, and the defined benefit plan was closed to future accrual. Assets are held in separate trustee administered fund. BASF PLC, the lead UK Group company operates a group defined benefit scheme, of which some employees of the Company are members.

There is no contractual agreement for charging the net defined benefit cost of the scheme between the companies that participate in the scheme. As a result, the net defined benefit cost of the scheme is recognised in the financial statement of the sponsoring employer, BASF PLC. As the scheme has now been closed to future accrual, there will no longer be any cost attributable to employer contributions.

Information about the plan as a whole can be obtained from the BASF PLC financial statements which are available from 4th and 5th Floors 2 Stockport Exchange, Railway Road, Stockport, SK1 3GG.

Notes (continued)

18 Employee benefits (continued)

Defined contribution pension scheme

The Company also operates a defined contribution scheme. The scheme operates as part of the BASF (UK) Group Pension Scheme and commenced operation on 6 April 1998. The pension charge for this scheme for the year ended 31 December 2022 was \$573,000 (2021: \$524,000).

19 Called up share capital

	2022 \$000	2021 \$000
<i>Allotted, called up and fully paid</i>		
2,900,001 Ordinary shares of £1 each	4,760	4,760
	<u>4,760</u>	<u>4,760</u>

One ordinary B share is held by a subsidiary of the ultimate parent company. This share gives 25% voting rights in the Company to the shareholder.

20 Leases

The right-of-use asset relating to the lease of the Company's business premises is presented in fixed assets (Note 10). The asset is depreciated on a straight-line basis over the duration of the lease.

Lease liabilities

31 December 2022

	Lease liabilities \$000	Interest portion \$000	Future lease payments \$000
Within 1 year	460	69	529
1 – 2 years	468	61	529
2 – 3 years	475	54	529
3 – 4 years	483	46	529
4 – 5 years	492	37	529
More than 5 years	1,918	62	1,980
	<u>4,296</u>	<u>329</u>	<u>4,625</u>

31 December 2021

Within 1 year	67	82	149
1 – 2 years	517	77	594
2 – 3 years	525	69	594
3 – 4 years	534	60	594
4 – 5 years	543	51	594
More than 5 years	2,708	113	2,821
	<u>4,894</u>	<u>452</u>	<u>5,346</u>

The lease on the existing business premises was renewed in December 2021 for a period of 10 years with a break clause after 5 years. At the commencement of the lease term it was considered unlikely that the break clause would be exercised so this was not taken into account when recognising the lease liability. The lease term includes a rent-free period of 12 months to December 2022. When measuring the lease liability, the Company discounts lease payments using the Company's incremental borrowing rate. The rate applied is 1.67%.

Notes (continued)

20 Leases (continued)

Amounts recognised in the statement of profit and loss

	2022 \$000	2021 \$000
Interest expense on lease liabilities	75	5
Expenses relating to short term leases	-	-
Expenses relating to variable lease payments not included in the measurement of lease liabilities	153	188

21 Commitments

The Company has financial commitments and contingencies which arise from metal operating leases and forward foreign exchange, commodity forwards, commodity options and futures contracts entered into in the normal course of business.

22 Ultimate parent company and parent company of larger group

The Company is a wholly owned subsidiary of BASF Catalysts UK Holdings Limited, a company incorporated in England and Wales with registered office at 21st Floor, 110 Bishopsgate, London, EC2N 4AY, United Kingdom. The directors consider the ultimate controlling party to be BASF Societas Europaea (BASF SE), a company incorporated in Germany.

The largest and 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 its registered office at BASF Societas Europaea, D67056 – Ludwigshafen, Germany.

23 Risks from litigation and claims

Between November 2014 and March 2015, a putative class action lawsuit and several additional lawsuits were filed in the United States District Court of the Southern District of New York against BASF Metals Limited along with other defendants, alleging violations of antitrust and commodities laws stemming from the price discovery process for platinum and palladium. The lawsuits were consolidated and dismissed on jurisdictional grounds in March 2017. In May 2017 the plaintiffs filed an amended Complaint that renewed allegations against defendants, including BASF Metals Limited. A pro se complaint filed in September 2015 that was not consolidated into the consolidated class action was ultimately dismissed as of 18 November 2019. The Platinum and Palladium Antitrust Litigation case brought against BASF Metals Limited was subject to an appeal by the plaintiffs after the District Court entered an order that dismissed plaintiffs' claims. The United States Court of Appeals for the Second Circuit held an oral argument in June 2021. On February 27, 2023, the Second Circuit issued its decision. With regards to BASF Metals Limited, the Court reversed the district court's dismissal. On April 19, 2023, the Second Circuit issued a mandate returning the case to the district court for further proceedings. The renewed proceedings at the district court are still at a preliminary stage. The remaining defendants are all answering the complaint on July 21, 2023, and are also filing a motion for judgment on the pleadings under Federal Rule of Civil Procedure 12(c). In the meantime, the district court has permitted discovery to commence and discovery is in its earliest stages. BASF Metals Limited is also pursuing a writ of certiorari at the United States Supreme Court to challenge the Second Circuit's decision. The petition will be filed in September 2023 and a decision is expected sometime in the ensuing months on whether the Supreme Court is going to take the case. To our current knowledge, the risk of material adverse effect on the financial statements of the Company arising from current legal proceedings is not estimable. Given the early stages of discovery thus far, as well as plaintiffs' position that an estimate of the damages they are seeking cannot be calculated prior to discovery, it is too soon to determine potential liability with a greater level of specificity.

24 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 risk
- Interest rate benchmark reform

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 play 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.

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.

Notes (continued)

24 Financial risk management (continued)

Credit Risk (continued)

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, i.e. when counterparties cannot meet their contractual obligations) 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 Company is also supported by the ultimate parent company, BASF SE, in form of credit support guarantees to enable it to enter into transactions with external counterparties.

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 2022

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					
Derivatives financial asset	43,150	(4,677)	38,473	(38,473)	-
Total	43,150	(4,677)	38,473	(38,473)	-

31 December 2021

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					
Derivatives financial asset	63,369	(6,526)	56,843	(56,843)	-
Total	63,369	(6,526)	56,843	(56,843)	-

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

31 December 2022

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					
Derivatives financial liability	50,135	(4,677)	45,458	(38,473)	6,985
Total	50,135	(4,677)	45,458	(38,473)	6,985

Notes (continued)

24 Financial risk management (continued)

Credit Risk (continued)

31 December 2021

In S'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					
Derivatives financial liability	167,931	(6,526)	161,405	(56,843)	104,562
Total	167,931	(6,526)	161,405	(56,843)	104,562

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 bases.

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 2022

In S'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	38,473	Derivative financial asset (current and non-current)	302,720	264,247	12
Type of financial liability					
Derivative financial liability	45,458	Derivative financial liability (current and non-current)	100,995	55,537	12

31 December 2021

In S'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	56,843	Derivative financial asset (current and non-current)	364,119	307,276	12
Type of financial liability					
Derivative financial liability	161,405	Derivative financial liability (current and non-current)	298,950	137,545	12

The maximum exposure to credit risk at the balance sheet date was \$421,750,000 (2021: \$931,166,000) being the total of the carrying amount of financial on balance sheet assets. This exposure is limited by \$4,677,000 (2021: \$6,526,000) of related credit derivatives with the same counterparties.

The Company applies the simplified approach permitted by IFRS 9 for the impairment of trade debtors. Under this approach, the loss allowance is always measured at an amount equal to lifetime expected credit losses. Expected losses on trade debtors are calculated on the basis of internal or external customer ratings and the associated probability of default since 1st January 2022.

Notes (continued)

24 Financial risk management (continued)

Credit Risk (continued)

A summary of the Company's exposure to credit risk for third party and intercompany trade debtors by credit risk rating grade is as follows:

31 December 2022

	Credit impaired Gross \$000	Not Credit impaired Gross \$000	Impairment \$000
Credit risk rating grade			
From High/Medium credit rating	109,403	-	88

31 December 2021

	Credit impaired Gross \$000	Not Credit impaired Gross \$000	Impairment \$000
Credit risk rating grade			
From High/Medium credit rating	101,198	-	25

The movement in the allowance for impairment in respect of third party and intercompany trade debtors during the year was as follows:

	2022 \$000	2021 \$000
Balance at 1 January	25	145
Impairment allowance recognised	88	25
Impairment allowance reversed	(25)	(145)
Balance at 31 December	88	25

Impairment allowances recognised at the balance sheet date are dependent on the level of third party and intercompany trade debtors which will, by their nature, fluctuate with the normal trading activities of the Company. No debts were written off in the year and there has been no change in the measurement method of expected losses. As such changes in the gross carrying amount of these balances are attributable to origination and derecognition in the normal course of business as disclosed in the accounting policies (Note 1).

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.

Notes (continued)

24 Financial risk management (continued)

Liquidity Risk (continued)

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

31 December 2022

	Carrying amount \$000	Under 3 months \$000	3-12 months \$000	1-2 years \$000	Over 2 years \$000	Total \$000
Derivatives	100,995	46,847	42,152	11,690	306	100,995
Non derivatives:						
Trade creditors	57,280	57,280	-	-	-	57,280
Amounts owed to group companies	535,267	285,267	-	100,000	150,000	535,267
Total	693,542	389,394	42,152	111,690	150,306	693,542

31 December 2021

	Carrying amount \$000	Under 3 months \$000	3-12 months \$000	1-2 years \$000	Over 2 years \$000	Total \$000
Derivatives	298,950	149,053	140,313	9,584	-	298,950
Non derivatives:						
Trade creditors	74,643	74,643	-	-	-	74,643
Amounts owed to group companies	157,006	7,006	50,000	-	100,000	157,006
Total	530,599	230,702	190,313	9,584	100,000	530,599

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

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 and 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.

Notes (continued)

24 Financial risk management (continued)

Market Risk (continued)

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. As a result, the Company does not have material exposure to foreign currency risk.

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, thorough enforcement of the Company's Guidelines on Business Conduct and clearly defined and documented approval authorities.

The Company is also subject to an internal 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.

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.

Interest rate benchmark reform

The transition from LIBOR to alternative rates has taken place. The Company adopts market practice to use Secured Overnight Financing Rate (SOFR) as reference rate of USD. It is expected a minimum impact as interest rate is an immaterial element of pricing the Company's products.

25 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.

Notes (continued)

25 Fair value of financial instruments (continued)

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.

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.

		2022			
	Note	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Derivative Financial Assets	12	-	302,720	-	302,720
Total		-	302,720	-	302,720
Derivative Financial Liabilities	12	2,671	98,324	-	100,995
Total		2,671	98,324	-	100,995
		2021			
	Note	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Derivative Financial Assets	12	4,102	360,017	-	364,119
Total		4,102	360,017	-	364,119
Derivative Financial Liabilities	12	-	298,950	-	298,950
Total		-	298,950	-	298,950