

ELEMENTIS SECURITIES LIMITED
Registered Number: 00597303

UNAUDITED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Principal activities and business review

The principal activity of the Company is to act as an investment holding company.

As an investment company that forms part of the Elementis plc group of companies, whose structure is constantly evolving and based upon a variety of operational, regulatory and legal factors, the company's directors do not believe that analysis of the company using key performance indicators is necessary or appropriate for an understanding of the development, performance or position of the company. The key performance indicators of Elementis plc are discussed on page 32 and 33 of the 2022 Annual Report and Accounts, which does not form part of this report.

The results of the year ended 31 December 2022 are set out in the profit and loss account on page 5. There was a loss of £16.6 million recognised in the year compared to a loss of £12.1 million in 2021 due to rising interest rates.

Principal risks and uncertainties

The main risks that the business faces are its exposure to changes in interest rates exchange rates. These risks are managed by the Elementis Group treasury function which monitors interest rate risk, currency risk and liquidity risk for the Group as a whole.

Future developments

The directors expect the general level of activity to remain consistent with 2022 in the forthcoming year

The Strategic report was approved by the Board and has been signed on its behalf by:



A Dine
Director

Date: 2 August 2023

Directors' report for the year ended 31 December 2022

The directors submit their annual report and the unaudited financial statements for the year ended 31 December 2022.

Directors indemnities

There were no director indemnities during the year ended 31 December 2022 (2021: nil).

Directors

Directors of the Company, who served throughout the year and to the date of this report, are as follows:

| | |
|------------|--------------------------|
| L Higgins | (Resigned 30 April 2022) |
| C Gilbert | (Resigned 1 April 2022) |
| R Hewins | |
| A Dine | (Appointed 1 April 2022) |
| A Lawrence | (Appointed 1 May 2022) |

Going concern

The ability to meet its obligations as they fall due is dependent on the ultimate parent company providing financial support during the period of assessment. A letter of support has therefore been provided by Elementis plc, which states it will provide the necessary financial support to ensure that this company is able to operate as a going concern for at least twelve months from the date of signing of these financial statements.

The Group's going concern assessment covers at least the 12 months period from the date of signing of these financial statements. The Group's going concern assessment takes into account its liquidity position, committed expenditure, and likely ongoing levels of costs. The Group produced three models;

- A base case scenario, aligned to the latest Group annual operating plan for 2023 as well as the Group's three year plan for 2024 and 2025;
- A severe but plausible downside scenario that assumes that the global economic environment is severely depressed over the assessment period; and
- A reverse stress test flexing sales to determine what circumstance would be required to breach borrowing covenants.

No breaches in the required covenant tests were reported during the year and under both the base case and severe but plausible downside scenarios the Group is expected to remain within its financial covenants throughout the going concern period. The conditions necessary for the reverse stress scenario to be applicable were deemed to be remote.

The Directors also considered factors likely to affect future performance and development, the Group's financial position, the current excess liquidity position, the high level of cash conversion and the principal risks and uncertainties facing the Group; including the Group's exposure to credit, liquidity and market risk and the mechanisms available for mitigating these risks. The Group's net debt position as at 31 December 2022 was \$366.8m. It has access to a syndicated revolving credit facility of \$375m, of which \$71.6m has an expiry date of September 2024 and \$303.4m has an expiry date of September 2025, and long term loan facilities of \$150m and €142m which have an expiry date of June 2026. The Group had further borrowing facilities available to it, aside from the syndicated revolving credit facility and term loans, of over \$25m as at 31 December 2022.

In conclusion, after reviewing the base case scenario, the severe but plausible downside scenario and considering the likelihood of the reverse stress test scenario occurring to be remote, as well as having considered the uncertainty relating to the Group's principal risks and the mitigating actions available, the Directors have formed the judgement that at the time of approving these consolidated financial statements there are no material uncertainties that cast doubt on the Group's going concern status for next 12 months

and that it is therefore appropriate to prepare the consolidated accounts and in turn, these financial statements, on the going concern basis.

Dividends

No dividends were proposed or paid during the year (2021: nil).

Charitable and political contributions

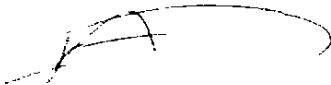
The Company made no political or charitable contributions during the year (2021: nil)

Audit exemption

For the year ended 31 December 2022 the company has taken advantage of the audit exemption set out within section 479A of the Companies Act 2006.

The Company is 100% indirectly owned by Elementis plc who will guarantee the debts and liabilities of the Company at the balance sheet date in accordance with section 479C of the Companies Act 2006.

By order of the Board:



A Dine
Director

Date: 2 August 2023

Registered office:
The Bindery, 5th Floor
51-53 Hatton Garden
London
EC1N 8HN

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022

| | Note | 2022 £'000 | 2021 £'000 |
|--|------|-----------------|-----------------|
| Exchange gain/(loss) on foreign currency loans and investments | | (1,448) | 1,687 |
| Profit/(loss) on ordinary activities before interest | | (1,448) | 1,687 |
| Interest payable | 3 | (15,162) | (13,761) |
| Loss on ordinary activities before tax | | (16,610) | (12,074) |
| Tax charge on loss on ordinary activities | 4 | - | - |
| Loss for the financial year | | (16,610) | (12,074) |
| Total comprehensive loss for the year | | (16,610) | (12,074) |

All amounts above relate to continuing operations.

There are no recognised gains and losses other than those in the profit and loss account and other comprehensive income above.

The notes on pages 8 to 14 form part of these financial statements.

BALANCE SHEET
as at 31 December 2022

| | Note | 31 December 2022 £'000 | 31 December 2021 £'000 |
|---|------|------------------------------|------------------------------|
| Fixed assets | | | |
| Investments in group undertakings | 5 | <u>225,538</u> | <u>225,538</u> |
| | | 225,538 | 225,538 |
| Current assets | | | |
| Debtors | 6 | 361,253 | 361,253 |
| Creditors: amounts falling due within one year | 7 | (607,137) | (590,528) |
| Net current liabilities | | <u>(245,885)</u> | <u>(229,275)</u> |
| Total assets less current liabilities | | <u>(20,347)</u> | <u>(3,737)</u> |
| Net (liabilities)/assets | | <u>(20,347)</u> | <u>(3,737)</u> |
| Capital and reserves | | | |
| Called up share capital | 8 | 8,900 | 8,900 |
| Profit and loss account | | <u>(29,247)</u> | <u>(12,637)</u> |
| Shareholder's funds – equity | | <u>(20,347)</u> | <u>(3,737)</u> |

The notes on pages 8 to 14 form part of these financial statements.

For the period ending 31 December 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' Responsibilities:

- The members have not required the Company to obtain an audit of its financial statements for the period in question in accordance with section 476 of the Companies Act 2006;
- The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of the financial statements.

Approved by the Board and authorised for issue on 2 August 2023:



A Dine
Director
Elementis Securities Limited
Company registered number: 00597303

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

| | Share capital | Profit and loss account | Total |
|---|---------------|----------------------------|-----------------|
| | £'000 | £'000 | £'000 |
| Balance at 1 January 2021 | 8,900 | (563) | 8,337 |
| Comprehensive income | | | |
| Total comprehensive income for the period | | (12,074) | (12,074) |
| Balance at 31 December 2021 | 8,900 | (12,637) | (3,737) |
| Comprehensive income | | | |
| Total comprehensive income for the period | - | (16,610) | (16,610) |
| Balance at 31 December 2022 | 8,900 | (29,247) | (20,347) |

The notes on pages 8 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 Accounting policies

Elementis Securities Limited ('the Company') is a Company incorporated and domiciled in the UK, registered in England & Wales and limited by shares.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As a qualifying entity whose results are consolidated into the Elementis plc consolidated financial statements which include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Presentation of the cash flow statement and related notes;
- Share based payments;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of related party transactions;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and,
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements have been prepared on a historical cost basis.

The Company meets the definition of a qualifying entity under FRS 101 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements because it is consolidated in the financial statements of its parent, Elementis plc, which may be obtained from the address as disclosed on note 9.

Measurement convention

The financial statements are prepared under the historical cost basis.

Going concern

The principal activity of the Company is to act as an investment holding company.

The financial statements have been prepared on a going concern basis, on the grounds that Elementis plc, the ultimate parent company, will continue to provide financial and other support to the company for at least twelve months from the date of approval of these financial statements. Please see the Directors' report for more information.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Changes in accounting policies

The accounting policies are consistent with those of the previous financial year.

Financial Instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Trade and other debtors

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. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

Trade and other creditors

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.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Investments in debt and equity securities

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated 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 at the exchange rate ruling at the date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rate ruling at the dates the fair value was determined.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

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 profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

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

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. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Non-financial assets

The carrying amounts of the Company's non-financial 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Critical accounting judgements and key sources of estimation uncertainty

When applying the Company's accounting policies, management must make a number of key judgements on the application of applicable accounting standards and estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and judgements are based on factors considered to be relevant, including historical experience, which may differ significantly from the actual outcome. The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognised in the financial statements are discussed below.

The preparation of the Company's financial statements for the financial year did not require the exercise of any critical accounting judgements or significant estimates.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) Impairment of investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investment and a suitable discount rate in order to calculate present value.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

2 Expenses

Due to the nature of the operations of the Group, the remuneration of the directors for their services to the Company is not contained in the records of the Company, as the amount of work performed by the directors for the Company is immaterial. The emoluments of all the directors are borne by the Company's ultimate parent undertaking, Elementis plc, or another group undertaking for which they perform substantially all of their executive duties.

The financial statements of Elementis plc are publicly available, details are disclosed in note 8.

There were no employees in the year (2021: nil).

3 Interest payable

| | 2022 £'000 | 2021 £'000 |
|---------------------------------|---------------|---------------|
| Interest payable in respect of: | | |
| Loans from group undertakings | 15,162 | 13,761 |

4 Tax charge on loss on ordinary activities

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Factors affecting tax charge for the year: | | |
| (Loss) on ordinary activities before tax | (16,610) | (12,074) |
| Tax on ordinary activities at 19.00% (2021: 19.00%) | 3,156 | 2,294 |
| Expenses not deductible / income not taxable | - | - |
| Unrecognised deferred tax | (865) | 320 |
| Transfer pricing adjustments | (275) | (377) |
| Effects of group relief/other reliefs | (2,016) | (2,237) |
| Total tax charge for the period | - | - |

In the UK Budget on 3 March 2022 the Chancellor of the Exchequer announced an increase in the UK corporation tax rate from 19% to 25%, which is effective from 1 April 2023. The change was substantively enacted at the balance sheet date and hence is reflected in the measurement of deferred tax balances at the period end.

5 Investments in group undertakings

| | Cost £'000 | Valuation adjustment £'000 | Provision £'000 | Book value £'000 |
|---------------------|---------------|----------------------------------|--------------------|------------------------|
| At 1 January 2022 | 311,907 | 32,791 | (119,160) | 225,538 |
| At 31 December 2022 | 311,907 | 32,791 | (119,160) | 225,538 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

5 Investments in group undertakings (continued)

The investments are in unlisted shares.

Related undertakings included in investments in group undertakings are as follows:

| <i>Group undertaking</i> | <i>Principal activity</i> | <i>Country of Incorporation</i> | <i>Equity held %</i> | <i>Direct / Indirect</i> |
|-----------------------------------|---------------------------|-------------------------------------|--------------------------|------------------------------|
| Agrichrome Ltd | Non-trading | UK ¹ | 100 | Direct |
| Elementis Nederland B.V. | Non-trading | Netherlands ² | 99 | Direct |
| Elementis Australia Limited | Dormant | UK ¹ | 99 | Indirect |
| Elementis Finance (Australia) Ltd | Dormant | UK ¹ | 99 | Indirect |
| Harcros Chemicals Canada Inc | Dormant | Canada ³ | 99 | Indirect |
| H&C Acquisitions Ltd | Dormant | UK ¹ | 99 | Indirect |

1 Registered office The Bindery, 51-53 Hatton Garden, London, EC1N 8HN

2 Registered office Langestraat 167, Delden, 7491 AE, The Netherlands

3 Registered office C/o Stewart McKelvey Stirling Scales, 44 Chipman Hill, Suite 1000 ON E2L 4S6 Canada

Notes:

- Equity capital is in ordinary shares, wholly-owned and voting rights equate to equity ownership.
- All undertakings listed above have accounting periods ending 31 December.
- Undertakings operating in the United Kingdom are incorporated in Great Britain and registered in England and Wales
- In the opinion of the directors, the value of investments is not less than the value at which they are included in the balance sheet.

6. Debtors

| | 2022 | 2021 |
|--------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 360,917 | 360,917 |
| Group relief receivable | 336 | 336 |
| | 361,253 | 361,253 |

Elementis Securities Limited has issued a number of intercompany loans to other companies within the Group, these loans are repayable on demand and not interest bearing.

7 Creditors: amounts falling due within one year

| | 2022 | 2021 |
|------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | 607,137 | 590,528 |
| | 607,137 | 590,528 |

Elementis Securities Limited has a number of intercompany loans from other companies within the Group, some of which are interest-free and others which are interest-bearing at a range of rates between 0% and overnight SOFR + 7.5%. These are all repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

8 Called up share capital

| | Issued and fully paid | |
|---|-----------------------|--------------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| | 8,900 | 8,900 |
| 8,900,000 million Ordinary shares of £1 each at 31 December | 8,900 | 8,900 |

9 Ultimate and immediate parent undertakings

The Company's ultimate parent undertaking and controlling party is Elementis plc. The Company's immediate parent undertaking is Elementis Overseas Investments Ltd.

Elementis plc was the smallest and largest group to consolidate the financial statements of the Company. Copies of the consolidated financial statements of Elementis plc may be obtained from The Bindery, 5th Floor, 51-53 Hatton Garden, London, EC1N 8HN.