

ELEMENTIS UK LIMITED
Registered Number: 00656457

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal activities and business review

The principal activity of Elementis UK Limited ("Company") is to manufacture a range of organic and inorganic chemicals in the United Kingdom for sale worldwide.

The Company is domiciled in the United Kingdom.

Key performance indicators

The key performance indicators are turnover, gross profit, adjusted operating profit and net assets. Adjusted operating profit is the profit derived from the normal operations of the business after adjusting items (please see Note 6 for more information). Sales revenue increased in 2017 by £15.6 million and gross profit by £9.6 million this is due to growth in the personal care market. This has led to a corresponding increase in adjusted operating profit which has risen to £39.6 million from £33.6 million in 2016. Net assets have also increased by £29.0m to £173.2m.

The results of the year ended 31 December 2017 are set out in the profit & loss account on page 8. The profit for the year of £29.0 million (2016: £23.0 million) has been transferred to reserves. For more detailed discussion on the group including this entity, please see the Elementis PLC accounts

	2017 £ million	2016 £ million
Turnover	118.8	103.2
Gross profit	55.9	46.3
Adjusted operating profit	39.6	33.6
Net assets	173.2	144.2

Principal risks and uncertainties

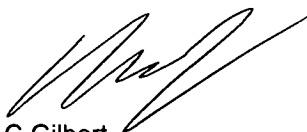
The main risk that the business faces is that the cost of raw materials will increase at a rate that cannot be absorbed by the Company or recovered by price increases to customers. A proportion of the Company's raw materials are purchased in US dollars and cost increases can arise as a result of strengthening of that currency against Sterling.

These risks are managed by the Company's treasury function which monitors interest rate risk, currency risk and liquidity risk for the Elementis Group as a whole.

Future developments

The directors expect the general level of activity to remain consistent with 2017 in the forthcoming year.

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



C Gilbert
Director

Date: 29th JUNE 2018

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors submit their report and the audited financial statements for the year ended 31 December 2017.

Directors' indemnities

There were no director indemnities during the year ended 31 December 2017 (2016: nil).

Directors

The directors of the Company who served during the year and to the date of this report were as follows:

L Higgins	(Appointed 24 January 2018)
W Wong	(Resigned 24 January 2018)
C Gilbert	
R Hewins	

Future developments

Details of future developments can be found in the strategic report on page 1.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Information in respect of financial risk management is set out in the strategic report on page 1 of the financial statements.

Directors do not consider liquidity risk to be a significant risk for this entity due to the inter-group financing available when required.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements (see note 1).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the strategic report on page 1, "Principal risks and uncertainties".

Dividends

No dividend was paid or proposed during the year (2016: £nil).

Political contributions

The company made no political contributions during the year (2016: none)

Employment communications and involvement

It is Company policy to communicate with all employees on major matters to encourage them to take a wider interest in the affairs of the Company. This is done in a variety of ways including bulletins and briefing

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

sessions. The Company operates a savings-related share option scheme allowing all UK employees an opportunity to become shareholders.

Employment policies

The Company is committed to the principle of equal opportunities in employment, regardless of a person's race, creed, colour, nationality, gender, age, marital status or disability. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the Company business.

These policies ensure that everyone is accorded equal opportunity for recruitment, training and promotion. Where an employee becomes disabled whilst employed by the Company, every effort is made to allow that person to continue in employment.

Policy on payment of suppliers

The Company applies a policy of agreeing payment terms with each of its major suppliers and abides by these terms, subject to satisfactory performance by the suppliers.

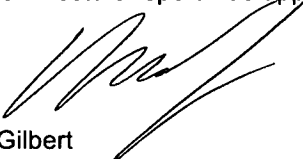
Disclosure of information to auditor

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Pursuant to Section 485 of the Companies Act 2006, the members have re-appointed Deloitte LLP as statutory auditor.

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



C Gilbert
Director

Date: 29th JUNE 2018

Registered office:
Caroline House
55-57 High Holborn
London
WC1V 6DX

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

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.

Independent auditor's report to the members of Elementis UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Elementis UK Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a

material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

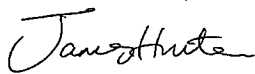
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in [the strategic report or] the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.



James Hunter FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading,
United Kingdom
29/06/2018

PROFIT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Note	2017 £ million	2016 £ million
Turnover	2	118.8	103.2
Cost of sales		(62.9)	(56.9)
Gross profit		55.9	46.3
Distribution costs		(10.5)	(8.6)
Administrative expenses		(4.6)	(2.8)
Other operating expense	4	(1.2)	(1.2)
Environmental provision	6	(1.1)	(3.6)
Operating profit		38.5	30.1
Interest payable and similar charges	3	(1.8)	(1.7)
Profit on ordinary activities before tax		36.7	28.4
Tax charge on profit on ordinary activities	7	(7.7)	(5.4)
Profit and total comprehensive income for the financial year		29.0	23.0

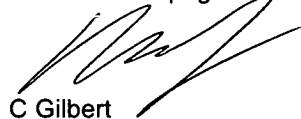
There are no recognised gains and losses other than those in the profit and loss account above.

The notes on pages 11 to 24 form part of these financial statements.

BALANCE SHEET
As at 31 December 2017

	Note	2017 £ million	2016 £ million
Non current assets			
Intangible assets	8	0.8	0.6
Tangible assets	9	6.8	6.0
Investments	10	11.0	11.0
Deferred tax assets	11	1.1	1.7
Debtors: amounts due after more than one year	13	244.0	198.6
		<u>263.7</u>	<u>217.9</u>
Current assets			
Stocks	12	14.0	11.4
Debtors: amounts due within one year	13	22.5	15.2
Cash at bank		1.9	1.0
		<u>38.4</u>	<u>27.6</u>
Creditors: amounts falling due within one year			
Creditors	14	(24.3)	(19.1)
Net current assets		<u>14.1</u>	<u>8.5</u>
Total assets less current liabilities		277.8	226.4
Creditors: amounts falling due after more than one year	14	(97.3)	(73.9)
Provisions for liabilities and charges	15	(7.3)	(8.3)
Net assets		<u>173.2</u>	<u>144.2</u>
Capital and reserves			
Called up share capital	16	100.0	100.0
Profit and loss account		73.2	44.2
Shareholders' funds – equity		<u>173.2</u>	<u>144.2</u>

The notes on pages 11 to 24 form part of these financial statements.



C Gilbert
Director
Elementis UK Limited
Company registered number: 00656457

Approved by the Board and authorised for issue on 29th JUNE 2018

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Called up share capital £ million	Profit and loss account £ million	Total equity £ million
Balance at 1 January 2016	100.0	21.2	121.2
Comprehensive income			
Total comprehensive income for the period	-	23.0	23.0
Balance at 31 December 2016	100.0	44.2	144.2
Comprehensive income			
Total comprehensive income for the period	-	29.0	29.0
Balance at 31 December 2017	100.0	73.2	173.2

The notes on pages 11 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 2017**

1 Accounting policies

Elementis UK Limited ('the Company') is a private company limited by shares and is incorporated and domiciled in the UK. The nature of Elementis UK Limited's operation and its principal activities are set out in strategic report on page 1.

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 Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), 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 Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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's ultimate parent undertaking, Elementis plc includes the Company in its consolidated financial statements. The consolidated financial statements of Elementis plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address as disclosed on note 20.

Measurement convention

The financial statements are prepared under the historical cost basis.

Going concern

The Company's business activities, together with the factors likely to affect its future development performance and position are set out in the strategic report on page 2. The financial position of the Company is described in the strategic report.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1 Accounting policies (continued)

Going concern (continued)

basis in preparing the annual report and financial statements. Net current assets of £160.8m (2016: £133.2m) support this assumption.

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.

Non-derivative financial instruments

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

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.

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.

Investments in debt and equity securities

Investment in subsidiaries are stated at amortised cost less impairment.

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 exchange rate ruling at the dates the fair value was determined. Exchange gains and losses on foreign currency equity investments are taken to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1 Accounting policies (continued)

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.

Intangible fixed assets

Intangible fixed assets purchased separately from a business are capitalised at their cost and amortised to nil over their useful economic lives. Included within intangible fixed assets are external registration costs associated with REACH (Registration, Evaluation and Authorisation of Chemicals in the EU). These costs are capitalised and amortised over 7 years on a straight line basis. Internal costs relating to REACH are expensed as incurred.

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.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than, 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

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 2017**

1 Accounting policies (continued)

Impairment (continued)

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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings 10 to 50 years
- plant and equipment 2 to 20 years
- fixtures and fittings 2 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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 on the next page.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1 Accounting policies (continued)

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements

a) Revenue recognition

In making its judgement, the Directors have considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Group had transferred the significant risks and rewards of ownership of the goods. Following further assessment of the terms of shipment, the Directors have concluded that international shipments should not be recognised within revenue until they reach the destination port, as they believe that this more accurately reflects the commercial substance of the transaction. Due to this change in the accounting policy, the prior year comparatives have been restated to provide comparable information.

Turnover is based on the invoiced value of the sale of goods and services. It includes sales to other Elementis group undertakings, but excludes VAT and similar sales based taxes.

b) Pension and other post retirement benefits

In accordance with IAS 19, for any pension plan in surplus, the amount recognised as an asset is limited to an asset ceiling, being the present value of any potential refund or a reduction in future contributions. The Company participates in the Elementis Group defined benefit pension scheme. The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and accordingly the Company has treated the scheme as a defined contribution scheme and has recognised only the contributions payable for the year.

c) Use of adjusted results

The Company presents adjusted results (note 6) to provide additional useful information on underlying performance and trends to Shareholders. These results are used for internal performance analysis. The term 'adjusted' is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measurements of profit. Refer to note 6 for the adjusting items.

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) 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, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1 Accounting policies (continued)

a) Provisions (continued)

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. In accordance with the Company's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated. Provisions for environmental issues are judgemental by their nature, particularly when considering the size and timing of remediation spending, and more difficult to estimate when they relate to sites no longer directly controlled by the Company.

Whilst a range of outcomes is possible, the Directors believe that the reasonably possible range for the environmental provision is from £6.8m to £7.8m

b) 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. Refer to Note 7 for further details of the current year tax charge. An asset was recognised in 2014 relating to UK advance corporation tax credits which had previously been unrecognised because of uncertainty over future UK taxable profits. During 2014 the Company made certain changes to its manufacturing and financing structures, which together with greater certainty over the funding of the UK pension deficit, led to the view that UK taxable profits would increase and therefore that the tax credits should be recognised.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

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. Refer to Note 11 for further details of the deferred tax assets and liabilities balances.

c) 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 2017

2 Turnover and segmental information

Turnover and operating profit is derived from one class of business in the UK.

Analysis of turnover by geographical markets:

	2017 £ million	2016 £ million
Europe	81.3	70.3
North America	24.7	21.2
Rest of the World	12.8	11.7
	<u>118.8</u>	<u>103.2</u>

3 Interest payable and similar charges

	2017 £ million	2016 £ million
Payable to group undertakings	<u>(1.8)</u>	<u>(1.7)</u>
	<u>(1.8)</u>	<u>(1.7)</u>

4 Expenses and auditors remuneration

	2017 £ million	2016 £ million
Profit on ordinary activities before tax is stated after charging :		
Net foreign exchange losses	0.2	0.5
Depreciation of owned tangible fixed assets	0.7	0.7
Amortisation of other intangibles	0.2	0.2
Operating lease expense	-	0.1
Other operating expense		
Charge from Elementis Holdings Limited	<u>(1.2)</u>	<u>(1.2)</u>
	<u>(1.2)</u>	<u>(1.2)</u>

Auditor's remuneration and expenses are borne by Elementis Holdings Limited, an intermediate parent undertaking.

5 Directors and employees

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 parent undertaking, Elementis plc, or another group undertaking for which they performed substantially all of their executive duties.

The financial statements are publicly available, details are disclosed in note 20.

The monthly average number of persons employed during the year was nil (2016 restated: nil), please note previously the employee figure disclosed included all employees working full time at Elementis UK Limited,

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017 (continued)

5 Directors and employees (continued)

this has been restated to include only employees contractually employed by Elementis UK Limited. There is a single category of employees. Staff costs comprised:

	2017 £ million	2016 £ million
Wages and salaries	3.4	2.5
Social security costs	0.4	0.3
Pension costs	0.4	0.4
Total	<u>4.2</u>	<u>3.2</u>

6 Adjusting items

For the purposes of reporting the Directors exclude adjusting items as per below.

	2017 £ million	2016 £ million
Environmental provision	(1.1)	(3.6)
	<u>(1.1)</u>	<u>(3.6)</u>

	2017 £ million	2016 £ million
Operating profit	38.5	30.1
Environmental provision	1.1	3.6
Adjusted operating profit	<u>39.6</u>	<u>33.6</u>

Adjusted operating profit

Adjusted operating profit is defined as the operating profit after adjusting items, excluding adjusting items relating to tax.

Environmental Provision

The increase in environmental provisions due to change in discount rate – in 2016, the rate used to discount future liabilities relating to the environmental provisions was reduced from 4.5% to 2.5%. This resulted in an increase in the environmental provisions required. As the provisions relate to non-operational facilities the interest charge required was classed as an adjusting item. There has been no change in the discount rate for 2017.

A number of items have been recorded under 'adjusting items' in 2017 by virtue of their size and/or one time nature in, in line with our accounting policy in Note 1, in order to provide a better understanding of the Group's results. The net impact of these items on the Group profit before tax for the year is a debit of £1.1m (2016: debit of £3.6m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017 (continued)

7 Tax on profit on ordinary activities

	2017 £ million	2016 £ million
The tax charge comprises:		
Corporation tax / group relief payable	(6.6)	(1.8)
Deferred tax	(0.6)	0.1
Advance Corporation Tax	(0.5)	(3.7)
Total tax charge	<u>(7.7)</u>	<u>(5.4)</u>
	2017 £ million	2016 £ million
Factors affecting tax charge for the year:		
Profit on ordinary activities before tax	<u>36.7</u>	<u>28.4</u>
Tax on ordinary activities at 19.25% (2016: 20%)	(7.1)	(5.7)
Utilisation of tax losses of interest in Elementis Chromium LLP	-	0.3
Adjustments in respect of prior years	0.6	-
Non taxable income	(0.2)	-
Tax rate changes	0.2	-
Current tax charge for the period	<u>(7.7)</u>	<u>(5.4)</u>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate to 17% effective from 01 April 2020 (replacing the 18% rate) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

8 Intangible assets

	Goodwill	Other intangible assets	Total
	£ million	£ million	£ million
Cost:			
At 1 January 2017	11.3	2.2	13.5
Additions	-	0.4	0.4
At 31 December 2017	<u>11.3</u>	<u>2.6</u>	<u>13.9</u>
Amortisation:			
At 1 January 2017	11.3	1.6	12.9
Charge for the year	-	0.2	0.2
At 31 December 2017	<u>11.3</u>	<u>1.8</u>	<u>13.1</u>
Net book value:			
At 31 December 2017	<u>-</u>	<u>0.8</u>	<u>0.8</u>
At 31 December 2016	<u>-</u>	<u>0.6</u>	<u>0.6</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017 (continued)

8 Intangible assets (continued)

The additions in the year relate to REACH costs which have been capitalised. REACH is the regulation for the Registration, Evaluation and Authorisation of Chemicals in the EU. All intangible assets capitalised during the year meet the criteria of IAS 38 Intangible Assets.

9 Tangible fixed assets

	Freehold land and buildings £ million	Plant and machinery £ million	Assets under construction £ million	Total £ million
Cost:				
At 1 January 2017	3.6	15.6	-	19.2
Additions	0.1	0.3	1.4	1.8
Disposals	-	(0.5)	-	(0.5)
At 31 December 2017	3.7	15.4	1.4	20.5
Depreciation:				
At 1 January 2017	2.9	10.3	-	13.2
Charge for the year	0.1	0.6	-	0.7
Disposals	-	(0.2)	-	(0.2)
At 31 December 2017	3.0	10.7	-	13.7
Net book value:				
At 31 December 2017	0.7	4.7	1.4	6.8
At 31 December 2016	0.7	5.3	-	6.0

10 Investments in group undertakings

	Total £ million
Cost:	
At 1 January 2017	70.7
Additions	-
Disposals	-
At 31 December 2017	70.7
Provision:	
At 1 January 2017	59.7
Charge for the year	-
At 31 December 2017	59.7
Net book value:	
At 31 December 2017	11.0
At 31 December 2016	11.0

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017 (continued)

10 Investments in group undertakings (continued)

Principal investments in group undertakings are as follows:

	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Proportion of voting rights and shares held %</i>
Elementis Chromium LLP	Chromium chemicals	England ¹	99
N B Chrome Limited	Chromium chemicals	England ¹	100

Investments in Group undertakings are included in the balance sheet at cost less impairment.

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.

All undertakings listed above have been included in the Consolidated financial statements of the Elementis Plc for the year, copies of the consolidated financial statements of Elementis plc may be obtained from Caroline House, 55-57 High Holborn, London, WC1V 6DX.

¹ Registered office Caroline House, 55-57 High Holborn, London WC1V 6DX UK

11 Deferred Tax assets and liabilities

	Tangible fixed assets £ million	Intangible fixed assets £ million	Environmental Provisions £ million	Total £ million
At 1 January 2016	0.2	-	1.7	1.8
(Charge)/credit to income statement	(0.1)	-	-	(0.1)
At 1 January 2017	0.1	(0.1)	1.7	1.7
(Charge)/credit to income statement	(0.2)	0.1	(0.5)	(0.6)
At 31 December 2017	(0.1)	-	1.2	1.1

	2017 £ million	2016 £ million
Deferred tax liabilities	(0.1)	(0.1)
Deferred tax assets	1.2	1.8
	1.1	1.7

12 Stocks

	2017 £ million	2016 £ million
Raw materials and consumables	2.3	2.0
Finished goods and goods for resale	11.7	9.4
	14.0	11.4

No stock has been written off during the year (2016: nil).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017 (continued)

13 Debtors

	2017 £ million	2016 £ million
Amounts falling due within one year:		
Trade debtors	15.5	13.8
Amounts owed by group undertakings	6.2	0.6
Other debtors	0.5	0.6
Prepayments and accrued income	0.3	0.2
	<u>22.5</u>	<u>15.2</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	236.0	188.8
ACT recoverable	8.0	9.8
	<u>244.0</u>	<u>198.6</u>
Total Debtors	<u>266.5</u>	<u>213.8</u>

Elementis UK Limited has issued a number of intercompany loans to other companies within the Group, some of which are interest-free and others which are interest-bearing at a range of rates and can either be repayable on demand, of a fixed term duration or open ended.

14 Creditors

	2017 £ million	2016 £ million
Amounts falling due within one year		
Trade creditors	4.4	6.1
Amounts owed to group undertakings	3.9	2.8
Group relief	13.3	8.0
Accruals and deferred income	2.7	2.2
	<u>24.3</u>	<u>19.1</u>
Amounts falling due after more than one year:		
Amounts owed to group undertakings	97.3	73.9
	<u>97.3</u>	<u>73.9</u>

Elementis UK Limited has a number of intercompany loans to 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 8.75% and can either be repayable on demand, of a fixed term duration or open ended.

15 Provisions for liabilities and charges

	Environmental £ million	Restructuring £ million	Total £ million
At 1 January 2017	6.5	1.8	8.3
Charge to profit and loss	1.0	-	1.0
Utilised during the year	(0.2)	(1.8)	(2.0)
At 31 December 2017	<u>7.3</u>	<u>-</u>	<u>7.3</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017 (continued)

15 Provisions for liabilities and charges (continued)

The environmental provisions relate to the remediation of chemical manufacturing sites and have been derived using a discounted cash flow methodology, reflecting the extent to which it is probable that expenditure will be incurred over the next 20 years. The restructuring provision relates to specific post-employment benefits payments to former employees for which a provision was created in the prior year.

16 Called up share capital

	2017 Number '000	2017 £ million	2016 Number '000	2016 £ million
Ordinary shares of £1 each	100,000	100	100,000	100

17 Post-retirement benefits

The Company participates in the Elementis Group defined benefit pension scheme. The assets of the scheme are held separately from those of the Company. Details of the latest actuarial valuation carried out at 30 September 2014 can be found in the 2017 Elementis plc Annual report and accounts. Following the introduction of the revised reporting standard, any surplus or deficit in the Elementis Group defined benefit pension scheme is to be reported in the financial statements of Elementis Holdings Ltd, which employs the majority of active members of the scheme and is responsible for making deficit contributions under the current funding plan.

18 Operating leases

Minimum operating lease rentals are payable as follows:

	Land & buildings		Other assets	
	2017 £ million	2016 £ million	2017 £ million	2016 £ million
Less than one year	-	-		
Between one and five years	-	0.2	0.1	0.1
More than five years	-	-	-	-
	-	0.2	0.1	0.1

The fair value of the company's lease obligations is approximately equal to their carrying amount.

19 Events after the balance sheet date

There were no significant events after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017 (continued)

20 Parent and ultimate parent undertakings

The Company's ultimate parent undertaking and controlling party is Elementis plc. The Company's immediate parent undertaking is Elementis London Limited.

Elementis plc is a public company limited by shares and is incorporated and domiciled in England.

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 Caroline House, 55-57 High Holborn, London, WC1V 6DX.