

**ELEMENTIS UK LIMITED**  
**Registered Number: 00656457**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

FRIDAY



\*AC6T40Z5\*

A30

30/06/2023

#130

COMPANIES HOUSE

## **Contents**

Strategic report	1
Directors' report	3
Statement of directors' responsibilities	6
Independent auditor's report to the members of Elementis UK Limited	7
Profit and loss account	10
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

### Principal activities and business review

The principal activity of Elementis UK Limited (the "Company") is to manufacture a range of organic and inorganic chemicals in the United Kingdom for sale worldwide. Sales were at similar levels to prior year. Administrative expenses incurred largely related to fixed costs and have increased when compared to last year. Interest payable was largely in respect of the external bank borrowings that the company has in respect of the wider group funding - the amount payable was consistent with the prior year.

The Company is domiciled in the United Kingdom.

### Section 172

The Board acknowledges that there is a legal requirement for the Company to report on the requirements of s.172 of the Companies Act 2006 in relating to the Board's decision making process.

The Board receives information on stakeholder engagement matters through regular reports and presentations from senior management throughout the year. All Board papers for principal Board decisions include a specific section on s.172 and stakeholder interests. In addition to s.172 duties, there are also other factors that are taken into account or may be considered relevant in the context of decision making, for example, pension scheme members or engagement with regulatory authorities. Directors bring additional value by sharing knowledge or insight gained from previous or current roles which enable a more holistic approach to the decision making environment.

In the ordinary course of business, site visits and Board dinners also provide opportunities for direct engagement with employees. In addition, the Directors also engage directly with our investors and our employees.

A director of a company must act in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following factors:

- The likely consequences of any decision in the long term,
- The interests of the company's employees,
- The need to foster the company's business relationships with suppliers, customers and other,
- The impact of the company's operations on the community and the environment,
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company

The requirements of s.172 are not new to the Board members, and, supported by the Company Secretary, the Board has fully considered the Company's stakeholders in the decision making process. Board decisions are recorded in the minutes for each meeting and include reference to s.172. The Company is a subsidiary of Elementis plc, the ultimate parent company, as such it is recognised that certain matters will be approved by the Elementis plc board of directors for implementation in the group such as the Group's 5 year strategic plan and operating plan.

During the year, the Board has specifically considered the Company's role in group matters such as delegated authority for the SVP Global Personal Care to enter into contracts or agreements on behalf of the Company based on the Group delegation of authority.

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

### 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 (see Note 7 for more information). Turnover increased in 2022 by £8 million and gross profit increased by £13.3 million due to an improved demand environment and pricing actions to combat the impact of inflation on input costs. This led to a corresponding increase in adjusted operating profit which increased to £54.7 million from £45.2 million in 2021. Net assets have increased by £34.2m to £352.6m, this increase is largely due to the profit and actuarial gains on the pension scheme in the year.

	2022 £ million	2021 £ million
Turnover	235.5	227.5
Gross profit	87.4	74.1
Adjusted operating profit	54.7	45.2
Net assets	352.6	318.4

The results of the year ended 31 December 2022 are set out in the profit and loss account on page 10. The profit for the year of £49.2 million (2021: £33.3 million) has been transferred to reserves.

### 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.

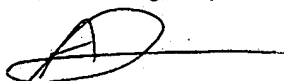
These risks are managed by the Company's treasury function which also monitors interest rate risk, currency risk and liquidity risk for the Elementis Group as a whole.

The impact of climate change has been kept under review by the Board of the ultimate parent undertaking Elementis plc. Further disclosure can be found on page 64 of the 2022 annual report and accounts 2022 of Elementis plc.

### Future developments

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

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



A Dine  
Director

Date: 16<sup>th</sup> June 2023

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors submit their report and the audited 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**

The directors of the Company who served during the year and to the date of this report were 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)

### **Future developments**

Details of future developments can be found in the strategic report on page 2.

### **Going concern**

The directors have concluded that the company has sufficient resources to meet its liabilities as they fall due, accordingly the financial statements have been prepared on a going concern basis.

The going concern assessment of the Elementis plc group is conducted at a consolidated level.

The company has then received a letter of support from the ultimate parent company Elementis plc attesting to their intent to provide all necessary financial support to Elementis UK Limited to allow it to continue as a going concern.

It is necessary to assess the ability of the Group to provide ongoing support to the company through assessing the Group's going concern assessment.

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 five 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.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

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 (post IFRS16). 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 financial statements there are no material uncertainties that cast doubt on the Company's going concern, or on the ability of the group to provide support for next 12 months and that it is therefore appropriate to prepare the financial statements on the going concern basis.

### **Financial risk management objectives and policies**

Details of financial risk management objectives and policies can be found in the strategic report on page 2 under 'Principal risks and uncertainties'.

### **Dividends**

No dividend was paid or proposed during the year (2021: £nil).

### **Political contributions**

The Company made no political contributions during the year (2021: 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 sessions. The Company operates an all employee 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.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

### **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. For more details please see the payment practices reporting available online.

### **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 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.

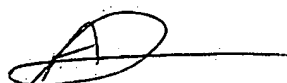
### **Auditor**

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

### **Post balance sheet events**

Particulars of any important events which have occurred since the end of the financial year in relation to the company and its subsidiary undertakings can be found in note 18.

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



A Dine  
Director

Date: 16<sup>th</sup> June 2023

The Bindery, 5<sup>th</sup> Floor  
51-53 Hatton Garden  
London  
EC1N 8HN

**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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the UK, 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 accounting 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 of Elementis UK Limited (the 'company'):

- 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 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 which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; 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 Financial Reporting Council's (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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

#### **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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and directors, about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, financial instruments, pensions, environmental, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements

made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC

#### **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.

##### **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.



Lee Welham  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Cambridge, United Kingdom  
16<sup>th</sup> June 2023

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2022

	Note	2022 £ million	2021 £ million
<b>Turnover</b>	2	<b>235.5</b>	227.5
Cost of sales		<u>(148.1)</u>	<u>(153.4)</u>
<b>Gross profit</b>		<b>87.4</b>	74.1
Distribution costs		(23.4)	(22.5)
Administrative expenses		(8.1)	(5.2)
Other operating expense	5	(1.2)	(1.2)
Environmental provision	7	3.3	(4.7)
<b>Operating profit</b>		<u><b>58.0</b></u>	<u>40.5</u>
Interest receivable	3	0.7	(1.2)
Interest payable and similar charges	4	(3.4)	(2.7)
<b>Profit before tax</b>		<u><b>55.3</b></u>	<u>36.6</u>
Tax charge on profit	8	(6.1)	(3.3)
<b>Profit for the financial year</b>		<u><b>49.2</b></u>	<u>33.3</u>

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
for the year ended 31 December 2022

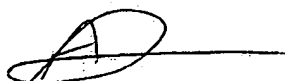
	Note	2022 £million	2021 £million
<b>Profit for the year</b>		<u><b>49.2</b></u>	<u>33.3</u>
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurements of retirement benefit obligations	18	(19.9)	37.1
Deferred tax adjustment on pension scheme	12	4.9	(9.5)
Other comprehensive income/(expense) for the year		<u>(15.0)</u>	<u>27.6</u>
<b>Total comprehensive income for the year attributable to the shareholders</b>		<u><b>34.2</b></u>	<u>60.9</u>

There are no recognised gains and losses other than those in the profit and loss account above.  
The notes on pages 14 to 30 form part of these financial statements.

**BALANCE SHEET**  
**As at 31 December 2022**

	Note	2022 £ million	2021 £ million
<b>Non current assets</b>			
Intangible assets	9	0.7	0.8
Tangible assets	10	10.9	7.1
Investments	11	6.6	6.6
Deferred tax assets	12	4.0	5.4
Retirement benefit obligations	18	22.0	41.8
		<u>44.2</u>	<u>61.7</u>
<b>Current assets</b>			
Stocks	13	42.1	23.5
Debtors: amounts due within one year	14	21.6	33.6
Debtors: amounts due after more than one year	14	553.3	444.7
Cash at bank		2.7	3.6
		<u>619.7</u>	<u>505.4</u>
<b>Creditors: amounts falling due within one year</b>			
Creditors	15	<u>(54.6)</u>	<u>(47.7)</u>
<b>Net current assets</b>		<u>565.1</u>	<u>457.7</u>
<b>Total assets less current liabilities</b>		<b>609.3</b>	<b>519.4</b>
Creditors: amounts falling due after more than one year	15	(233.1)	(167.9)
Deferred tax liabilities	12	(7.6)	(11.4)
Provisions for liabilities and charges	16	(16.0)	(21.7)
		<u>352.6</u>	<u>318.4</u>
<b>Net assets</b>		<b>352.6</b>	<b>318.4</b>
<b>Capital and reserves</b>			
Called up share capital	17	100.0	100.0
Capital contribution reserve		15.1	15.1
Profit and loss account		237.5	203.3
		<u>352.6</u>	<u>318.4</u>
<b>Shareholders' funds – equity</b>		<b>352.6</b>	<b>318.4</b>

The notes on pages 14 to 30 form part of these financial statements.



A Dine  
Director  
Elementis UK Limited  
Company registered number: 00656457

Approved by the Board and authorised for issue on 16<sup>th</sup> June 2023

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

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£ million	£ million	£ million	£ million
Balance at 1 January 2021	100.0	15.1	142.4	257.5
Comprehensive income				
Profit for the year	-	-	33.3	33.3
Other comprehensive income for the year	-	-	27.6	27.6
Total comprehensive income for the period	-	-	60.9	60.9
<b>Balance at 31 December 2021</b>	<b>100.0</b>	<b>15.1</b>	<b>203.3</b>	<b>318.4</b>
Comprehensive income				
Profit for the year	-	-	49.2	49.2
Other comprehensive expense for the year	-	-	(15.0)	(15.0)
Total comprehensive income for the period	-	-	34.2	34.2
<b>Balance at 31 December 2022</b>	<b>100.0</b>	<b>15.1</b>	<b>237.5</b>	<b>352.6</b>

The notes on pages 14 to 30 form part of these financial statements.

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

### 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 the Company'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 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 IAS 1 *Presentation of Financial Statements*, IFRS 15 *Revenue from Contracts with Customers*, 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and are available to the public and may be obtained from the address as disclosed in Note 20.

#### Measurement convention

The financial statements are prepared under the historical cost basis.

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

**1 Accounting policies (continued)**

**Changes in accounting policies**

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

Amendments to IAS 1, IAS 8, IAS 39, IAS 41, IFRS 3, IFRS 7, and IFRS 9 in the year are not material to the entity.

**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:

- 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
- 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.



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

### 1 Accounting policies (continued)

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.

##### *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.

#### 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.

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

**1 Accounting policies (continued)**

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 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.

**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.

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

### 1 Accounting policies (continued)

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:

- Freehold land & buildings 10 to 50 years
- Plant and machinery 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.

### Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Leases

A lease liability is recognised at an amount equal to the present value of the future lease payments when the Group obtains control of the right-of-use asset that is the subject of the lease. The lease liability is subsequently measured using the effective interest method, with interest charged to finance costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The lease term determined comprises the non-cancellable period of the lease contract. Periods covered by an option to extend the lease are included if there is reasonable certainty that the option will be

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

### **1 Accounting policies (continued)**

exercised and periods covered by the option to terminate are included if it is reasonably certain that this will not be exercised.

The lease liability is subsequently remeasured (with a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments due to a renegotiation or market rent review, a change of an index or rate or a reassessment of the lease term.

Leases which at inception have a term of less than 12 months or relate to low-value assets are not recognised on balance sheet. Payments made under such leases are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

#### **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.

#### **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 Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### **a) Revenue recognition**

Revenue is recognised upon transfer of promised goods to customers (the performance obligation) in an amount that reflects the consideration the Company expects to receive in exchange for those goods. This may occur, depending on the individual customer relationship, when the product has been transferred to a freight carrier, when the customer has received the product or, for consignment stock held at customers' premises, when usage reports for the relevant period have been compiled.

All revenue is from contracts with customers and pertains to the sale of specialty chemicals products, selling prices are agreed in advance and hence are directly observable.

The Company's payment terms offered to customers are within a certain number of days of receipt of invoice and standard contracts do not include a significant financing component. The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence the Company does not adjust any of the transaction prices for the time value of money.

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**

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

### 1 Accounting policies (continued)

In respect of the Company's defined benefit schemes, the Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations. Pension and post retirement liabilities are calculated by qualified actuaries using the projected unit credit method. Following the introduction of the revised IAS 19 Employee Benefits standard, the net interest on the defined benefit liability consists of the interest cost on the defined benefit obligation and the interest income on plan assets, both calculated by reference to the discount rate used to measure the defined benefit obligation at the start of the period.

The Company recognises actuarial gains and losses in the period in which they occur through the statement of comprehensive income. The Company also operates a small number of defined contribution schemes and the contributions payable during the year are recognised as incurred. Due to the size of the Company's pension scheme assets and liabilities, relatively small changes in the assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability recorded in the balance sheet.

#### c) Use of adjusted results

The Company presents adjusted results (Note 7) 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 7 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.

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.

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

**1 Accounting policies (continued)**

Whilst a range of outcomes is possible, the Directors believe that the reasonably possible range for the environmental provision is from £19.5m to £23.9m.

**b) Valuation of a defined pension obligation**

The key estimates made in relation to defined benefit pensions relate to the discount rate used to determine the present value of future benefits and the rate of inflation applied to plan liabilities. Further details on pensions and a sensitivity analysis are given in Note 18.

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

**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:	2022 £ million	2021 £ million
Europe	201.7	171.2
North America	12.1	29.4
Rest of the World	21.6	26.9
	<u>235.5</u>	<u>227.5</u>

**3 Interest receivable**

	2021 £ million	2021 £ million
Pensions and other post retirement assets	0.7	(1.2)
	<u>0.7</u>	<u>(1.2)</u>

**4 Interest payable and similar charges**

	2021 £ million	2021 £ million
Amounts owed to group undertakings	(3.1)	(1.6)
Unwind of discount on provisions	(0.3)	(1.1)
	<u>(3.4)</u>	<u>(2.7)</u>

**5 Expenses and auditor's remuneration**

Profit before tax is stated after charging:	2022 £ million	2021 £ million
Net foreign exchange losses	3.3	0.6
Depreciation of owned tangible fixed assets	0.6	0.7
Amortisation of other intangibles	0.2	0.3
<b>Other operating expense</b>		
Charge from Elementis Holdings Limited	(1.2)	(1.2)

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

**6 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 78 (2021: 66).

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

**6 Directors and employees (continued)**

Staff costs comprised:

	2022 £ million	2021 £ million
Wages and salaries	3.4	2.8
Social security costs	0.5	0.3
Pension costs	0.4	0.3
Total	<u>4.3</u>	<u>3.4</u>

**7 Adjusting items**

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

	2022 £ million	2021 £ million
Environmental provision	3.3	(4.7)
Adjusting items	<u>3.3</u>	<u>(4.7)</u>

	2022 £ million	2021 £ million
Operating profit	58.0	40.5
Adjusting items	(3.3)	4.7
Adjusted operating profit	<u>54.7</u>	<u>45.2</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 Company's environmental provision is calculated on a discounted cash flow basis, reflecting the time period over which spending is estimated to take place. The movement in provision relates to the unwinding of discount rates that has increased the liability by £0.4m in the year, the increase in discount rate which resulted in a £3.3m decrease to the liability and a £2.8m utilisation of the provision. As these costs relate to non-operational facilities they are classed as adjusting items.



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

**8 Tax on profit**

	<b>2022</b> <b>£ million</b>	<b>2021</b> <b>£ million</b>
The tax charge comprises:		
Corporation tax / group relief payable	(3.6)	(5.4)
Deferred tax	(2.5)	2.1
<b>Total tax charge</b>	<b>(6.1)</b>	<b>(3.3)</b>
	<b>2022</b> <b>£ million</b>	<b>2021</b> <b>£ million</b>
Factors affecting tax charge for the year:		
Profit before tax	<b>55.3</b>	36.6
Tax on ordinary activities at 19.00% (2021: 19.00%)	<b>(10.5)</b>	(7.0)
Effects of group relief	<b>6.4</b>	2.3
Adjustments in respect of prior years	<b>(1.1)</b>	0.2
Non taxable income	<b>0.3</b>	0.2
Tax rate changes	<b>(0.6)</b>	1.0
Expenses not deductible	<b>(0.6)</b>	-
<b>Total tax charge for the period</b>	<b>(6.1)</b>	<b>(3.3)</b>

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 was 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.

**9 Intangible assets**

	Goodwill	Other intangible assets	Total
	£ million	£ million	£ million
Cost:			
At 1 January 2022	11.3	3.7	15.0
Additions	-	0.1	0.1
<b>At 31 December 2022</b>	<b>11.3</b>	<b>3.8</b>	<b>15.1</b>
Amortisation:			
At 1 January 2022	11.3	2.9	14.2
Charge for the year	-	0.2	0.2
<b>At 31 December 2022</b>	<b>11.3</b>	<b>3.1</b>	<b>14.4</b>
Net book value:			
<b>At 31 December 2022</b>	<b>-</b>	<b>0.7</b>	<b>0.7</b>
At 31 December 2021	-	0.8	0.8

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.

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

**10 Tangible fixed assets**

	Freehold land and buildings	Plant and machinery	Assets under construction	Right-of- use assets: Plant, machinery and motor vehicles	Total
	£ million	£ million	£ million	£ million	£ million
Cost:					
At 1 January 2022	3.9	19.2	0.4	0.1	23.6
Additions	-	-	4.4	-	4.4
Disposals	-	-	-	-	-
Reclassifications	0.1	-	(0.1)	-	-
<b>At 31 December 2022</b>	<b>4.0</b>	<b>19.2</b>	<b>4.7</b>	<b>0.1</b>	<b>28.0</b>
Depreciation:					
At 1 January 2022	3.1	13.3	-	0.1	16.5
Disposals	-	-	-	-	-
Charge for the year	-	0.6	-	-	0.6
<b>At 31 December 2022</b>	<b>3.1</b>	<b>13.9</b>	<b>-</b>	<b>0.1</b>	<b>17.1</b>
Net book value:					
<b>At 31 December 2022</b>	<b>0.9</b>	<b>5.3</b>	<b>4.7</b>	<b>-</b>	<b>10.9</b>
At 31 December 2021	0.8	5.9	0.4	-	7.1

**11 Investments in group undertakings**

	Total £ million
Cost:	
At 1 January 2022	70.7
<b>At 31 December 2022</b>	<b>70.7</b>
Provision:	
At 1 January 2022	64.1
<b>At 31 December 2022</b>	<b>64.1</b>
Net book value:	
<b>At 31 December 2022</b>	<b>6.6</b>
At 31 December 2021	6.6

Principal investments in Group undertakings are as follows:

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

<sup>1</sup> Registered The Bindery, 5<sup>th</sup> Floor, 51-53 Hatton Garden, London, EC1N 8HN, UK

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

**11 Investments in group undertakings (continued)**

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

An historical impairment charge was recognised and taken through the historical profit and loss account reserve to write the investments down to their recoverable value of £6.6m; this reflects the net asset value of NB Chrome Limited and is seen as a reasonable fair value under IAS 36.

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 Elementis plc for the year; copies of the consolidated financial statements of Elementis plc may be obtained from The Bindery, 5<sup>th</sup> Floor, 51-53 Hatton Garden, London, EC1N 8HN.

**12 Deferred tax assets and liabilities**

	Tangible fixed assets £ million	Retirement benefit plan £ million	Environmental Provisions £ million	Total £ million
At 1 January 2021	(0.5)	(1.2)	3.2	1.5
(Charge)/credit to income statement	(0.4)	0.2	2.2	2.0
(Charge)/credit to other comprehensive income	-	(9.5)	-	(9.5)
<b>At 1 January 2022</b>	<b>(0.9)</b>	<b>(10.5)</b>	<b>5.4</b>	<b>(6.0)</b>
(Charge)/credit to income statement	(1.1)	-	(1.4)	(2.5)
(Charge)/credit to other comprehensive income	-	4.9	-	4.9
<b>At 31 December 2022</b>	<b>(2.0)</b>	<b>(5.6)</b>	<b>4.0</b>	<b>(3.6)</b>

	2022 £ million	2021 £ million
Deferred tax liabilities	(7.6)	(11.4)
Deferred tax assets	4.0	5.4
	<b>(3.6)</b>	<b>(6.0)</b>

**13 Stocks**

	2022 £ million	2021 £ million
Raw materials and consumables	12.5	7.5
Finished goods and goods for resale	29.6	16.0
	<b>42.1</b>	<b>23.5</b>

No stock has been written off during the year (2021: nil).

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

**14 Debtors**

	<b>2022</b> <b>£ million</b>	2021 £ million
<b>Amounts falling due within one year:</b>		
Trade debtors	16.4	18.8
Amounts owed by group undertakings	1.4	5.6
Other debtors	3.3	8.7
Prepayments and accrued income	0.5	0.5
	<u>21.6</u>	<u>33.6</u>
	<b>2022</b> <b>£ million</b>	2022 £ million
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	552.0	443.4
Group relief	1.3	1.3
Total debtors	<u>574.9</u>	<u>478.3</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 between 0% and 0.49% and are repayable on demand; none of these are expected to be recalled in within 12 months.

In 2018 Elementis UK Limited, acting as lessor, leased part of the Eaglescliffe site on a 125 year lease.

The amount of unguaranteed residual value accruing to Elementis UK Limited is £nil (2021: £nil). The accumulated allowance for uncollectible minimum lease payments is £nil (2021: £nil) and the amount of contingent rent recognised as income in the period is £nil (2021: £nil).

**15 Creditors**

	<b>2022</b> <b>£ million</b>	2021 £ million
<b>Amounts falling due within one year</b>		
Trade creditors	8.5	6.9
Amounts owed to group undertakings	43.2	31.2
Corporation tax	0.8	0.7
Other creditors	-	6.0
Accruals and deferred income	2.1	2.9
	<u>54.6</u>	<u>47.7</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed to group undertakings	233.1	167.9
Total creditors	<u>287.7</u>	<u>215.6</u>

Elementis UK 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 8.75% and are repayable on demand; none of these are expected to be recalled in within 12 months.

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

**16 Provisions for liabilities and charges**

	Environmental £ million	Total £ million
At 1 January 2022	21.7	21.7
Credit to profit and loss	(3.3)	(3.3)
Set up of provisions	-	-
Unwinding of discount	0.4	0.4
Utilised during the year	(2.8)	(2.8)
<b>At 31 December 2022</b>	<b>16.0</b>	<b>16.0</b>

The environmental provision relates to the remediation of a chemical manufacturing site and has been derived using a discounted cash flow methodology, reflecting the extent to which it is probable that expenditure will be incurred over the next 25 years.

**17 Called up share capital**

	2022 Number '000	2022 £ million	2021 Number '000	2021 £ million
Ordinary shares of £1 each	100,000	100	100,000	100

**18 Post-retirement benefits**

The Company participates in the Elementis Group defined benefit pension scheme. At 31 December 2022 the main schemes in the UK were of the defined benefit type, the benefit being based on number of years of service and either the employee's final remuneration or the employee's average remuneration during a period of years before retirement. The assets of these schemes are held in separate trustee administered funds or are unfunded but provided for on the Company's balance sheet.

A full actuarial valuation was carried out for the group's UK pension plan at September 2020. The actuaries updated the valuations to 31 December 2022 for inclusion in the 2022 Elementis plc Annual Report and Accounts.

Company contributions of £0.3m reflect the funding agreement reached with the UK Trustees following the September 2021 triennial valuation.

**Net defined benefit asset**

The net asset was as follows:

	2022 £million	2021 £million
Total market value of assets	384.8	572.2
Present value of scheme liabilities	(362.9)	(530.4)
<b>Net asset recognised in the balance sheet</b>	<b>21.9</b>	<b>41.8</b>

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

**18. Retirement benefit obligations (continued)**

**Movement in net defined obligations**

	2022 £million	2021 £million
<b>Balance as 1 January</b>	<b>42.0</b>	<b>6.2</b>
<b>Included in profit and loss</b>		
Employer's part of current service cost		
Current service cost	(0.4)	(0.5)
Running costs	(0.7)	(1.3)
Net interest credit	0.7	0.1
Past service cost	-	-
	<b>(0.4)</b>	<b>(1.7)</b>
<b>Included in other comprehensive income</b>		
Re-measurements:		
Return on plan assets excluding interest income	(169.1)	17.8
Actuarial gains arising from demographic assumptions	-	7.9
Actuarial gains/(losses) arising from financial assumptions	161.4	1.4
Actuarial gains/(losses) arising from experience adjustment	(12.4)	10.0
	<b>(20.1)</b>	<b>37.1</b>
<b>Contributions:</b>		
Employers	0.4	0.4
<b>Surplus in schemes at 31 December</b>	<b>21.9</b>	<b>42.0</b>

**Plan asset**

Plan assets comprise:

	2022 £million	2021 £million
Equity	66.7	171.1
Bonds	263.0	344.1
Cash/liquidity funds	55.1	57.0
Closing fair value of plan assets	<b>384.8</b>	<b>572.2</b>

All equities, bonds and liquidity funds have quoted prices in active markets. Other assets include insured annuities, an insurance fund and various swap products.

Within the UK pension scheme, the current asset allocation is approximately 48% in a liability matching fund consisting of gilts (fixed interest and index linked), bonds, cash and swaps, 24% in a buy and maintain fund and 28% in an investment fund that includes various equity and equity like funds. The aim of the trustees is to manage the risk relative to the liabilities associated with the scheme's investments through a combination of diversification, inflation protection and hedging of risk (currency, interest rate and inflation risk).

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

**18 Retirement benefit obligations (continued)**

Changes in the fair value of plan assets for the major schemes are as follows:

	2022 £million	2021 £million
Opening fair value of plan assets	572.2	577.4
Interest credit / (charge)	10.0	7.3
Expected return	(169.1)	
Running costs	(0.7)	(1.3)
Actuarial (losses)/gains	-	17.8
Contributions by employers	0.4	0.5
Contributions by employees	-	-
Benefits paid	(28.0)	(29.5)
Closing fair value of plan assets	<u>384.8</u>	<u>572.2</u>

**Defined benefit obligation**

Changes in the present value of the defined benefit obligation for the major schemes are as follows:

	2022 £million	2021 £million
Opening defined benefit obligations	(530.4)	(571.4)
Past service cost	-	-
Service cost	(0.4)	(0.6)
Interest cost	(9.3)	(7.2)
Contributions by employees	-	-
Actuarial gains/(losses) - experience	(12.2)	
Actuarial gains/(losses) - financial assumptions	161.4	19.3
Benefits paid	28.0	29.5
Closing defined benefit obligation	<u>(362.9)</u>	<u>(530.4)</u>

**Actuarial assumptions**

A full actuarial valuation was carried out on 30 September 2021 for the UK scheme.

The principal assumptions used by the actuaries for the major schemes were as follows:

	2022 UK per cent	2021 UK per cent
Rate of increase in salaries	4.5	4.6
Rate of increase in pensions in payment	3.3	3.4
Discount rate	4.8	1.8
Inflation	3.5	3.6

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

**18. Retirement benefit obligations (continued)**

The assumed life expectancies on retirement are:

	<b>2022</b>	<b>2021</b>
	<b>Years</b>	<b>Years</b>
Retiring at December		
Males	<b>22</b>	<b>22</b>
Females	<b>24</b>	<b>24</b>
Retiring in 20 years		
Males	<b>23</b>	<b>24</b>
Females	<b>26</b>	<b>26</b>

**Sensitivity analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumptions	Change in assumptions	Impact on scheme liabilities
Discount rate	Increased/decreased by 0.5 per cent	Decreased/increased by 5 per cent
Rate of inflation	Increased/decreased by 0.5 per cent	Increased/decreased by 3 per cent
Rate of mortality	Increased/decreased by 1 year	Increased/decreased by 5 per cent

These sensitivities have been calculated to show the movement of the defined obligation following a change in a particular assumption in isolation, assuming no other changes in market conditions.

**19 Events after the balance sheet date**

There were no significant events after the balance sheet date.

**20 Parent and ultimate parent undertakings**

The company has taken advantage of either the exemption set out in section 401 of the Companies Act not to prepare group accounts.

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 The Bindery, 5<sup>th</sup> Floor, 51-53 Hatton Garden, London, EC1N 8HN.