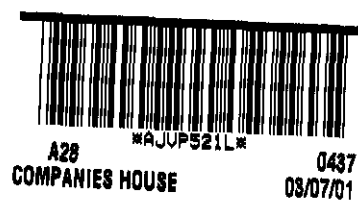


ELEMENTIS UK LIMITED
Registered Number: 656457

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000



Directors' report for the year ended 31 December 2000

The directors submit their report and the audited financial statements for the year ended 31 December 2000.

Directors

The directors of the Company who served during the year were as follows:

PD Brown
GR Fairweather

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Principal activities and business review

The activity of the Company has been, and is expected to continue to be, to manufacture a range of organic and inorganic chemicals in the United Kingdom for sale worldwide.

The results for the year ended 31 December 2000 and the state of affairs of the Company at that date are set out in the annexed financial statements.

By an ordinary resolution of the Company, passed on 23 June 2000, the share capital of the Company was increased to £26,500,000 by the creation of 25,000,000 ordinary shares of £1 each. 25,000,000 ordinary shares were subsequently allotted fully paid to Elementis London Limited on 23 June 2000.

ELEMENTIS UK LIMITED

Directors' report for the year ended 31 December 2000 (continued)

Dividends

The company paid no dividend during the year (1999: £25,439,000)

The directors do not recommend the payment of a final dividend (1999: £nil)

Directors' interests in shares, options and loan notes

The directors, and their families had no beneficial interest in the share capital of the Company at any time during the year.

All the directors were also directors of the Company's ultimate parent undertaking, Elementis plc, and their interests in its share capital are disclosed in the financial statements of that company.

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 in-house newspapers, bulletins and briefing 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

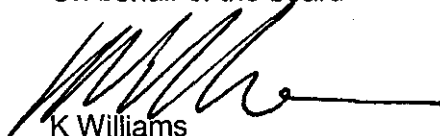
The Company applies a policy of agreeing payment terms with each of its major suppliers and abides by these terms, subject to satisfactory performance by the suppliers.

Trade creditors at the year end represented 48 days of purchases (1999: 44 days).

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office as auditors. The Company has passed an elective Resolution pursuant to Section 386 of the Companies Act 1985 dispensing with the obligation to appoint auditors annually.

On behalf of the board



K Williams
Secretary
25 June 2001

Registered office:
One Great Tower Street
London EC3R 5AH

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6RH
Telephone +44 (0) 20 7583 5000
+44 (0) 20 7939 3000
Facsimile +44 (0) 20 7822 4652

Auditors' report to the members of Elementis UK Limited

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

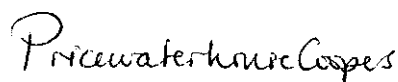
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers, London
Chartered Accountants and Registered Auditors
25 June 2001

ELEMENTIS UK LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Note	2000 £'000	Restated 1999 £'000
Turnover	2	153,085	134,903
Cost of sales before exceptional items		(116,882)	(94,753)
Exceptional items	3	<u>(1,096)</u>	<u>(3,156)</u>
Gross profit		35,107	36,994
Distribution costs		(12,698)	(12,018)
Administrative expenses		(2,953)	(10,962)
Management charges		(5,249)	(7,572)
Operating profit		<u>14,207</u>	<u>6,442</u>
Income from investments in group undertakings		206	6,500
Provision for loss on disposal of property		-	(1,900)
Write back of loan with group undertakings		2,002	-
Profit on disposal of investments in subsidiary undertakings	10	<u>2,331</u>	<u>-</u>
Profit on ordinary activities before interest	3	<u>18,746</u>	<u>11,042</u>
Net interest receivable/(payable)	5	12	(3)
Profit on ordinary activities before tax		<u>18,758</u>	<u>11,039</u>
Tax on profit on ordinary activities	6	(5,155)	493
Profit for the financial year		<u>13,603</u>	<u>11,532</u>
Dividends	7	-	(25,439)
Amount transferred to/(from) reserves	17	<u>13,603</u>	<u>(13,907)</u>

The cost components within operating profit for the 1999 figures have been restated on a basis consistent with a new Elementis Group-wide chart of accounts.

There were no recognised gains or losses other than the result for the financial year.

Results are derived from continuing operations.

The notes on pages 6 to 16 form part of these financial statements.

ELEMENTIS UK LIMITED

BALANCE SHEET
at 31 December 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	8	9,858	10,598
Tangible assets	9	60,136	58,906
Investments:			
Group undertakings	10	11,195	34,250
Associated undertakings	10	22	22
		<u>81,211</u>	<u>103,776</u>
Current assets			
Stocks	11	20,544	22,286
Debtors	12	32,940	39,530
Cash at bank and in hand		128	1,659
		<u>53,612</u>	<u>63,475</u>
Creditors: amounts falling due within one year			
Borrowings	13	4,953	-
Creditors	14	45,902	48,474
		<u>50,855</u>	<u>48,474</u>
Net current assets		<u>2,757</u>	<u>15,001</u>
Total assets less current liabilities		<u>83,968</u>	<u>118,777</u>
Creditors :amounts falling due after more than one year			
Government grants		634	822
Amounts owed to group undertakings		37,661	112,004
		<u>38,295</u>	<u>112,826</u>
Provisions for liabilities and charges	15	5,566	4,447
		<u>43,861</u>	<u>117,273</u>
Net assets		<u>40,107</u>	<u>1,504</u>
Capital and reserves			
Called up share capital	16	26,500	1,500
Profit and loss account	17	13,607	4
Shareholders' funds – equity	18	<u>40,107</u>	<u>1,504</u>

The notes on pages 6 to 16 form part of these financial statements.



P D Brown
Director

Approved by the Board on 25 June 2001

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000

1 Accounting policies

Basis of preparation

The financial statements on pages 4 to 16 have been prepared under the historical cost convention in accordance with generally accepted accounting principles and applicable accounting standards. These are unchanged from the previous year.

Consolidated accounts are not prepared because the Company is a wholly owned subsidiary and its results are included in the consolidated financial statements of its ultimate parent undertaking, Elementis plc.

Exchange rates

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the relevant balance sheet date; any exchange differences arising thereon are included in the profit and loss account.

Investments

Investments in group undertakings are included in the balance sheet at the lower of cost and net realisable value.

Investment income

Dividends from group undertakings are accounted for on an accruals basis.

Pension and other post-retirement benefits

The cost of providing retirement pensions and related benefits is charged to the profit and loss account on a systematic and regular basis over the periods during which the Company benefits from employees' services. Any difference between the charge to the profit and loss account and contributions paid is dealt with in the balance sheet as a prepayment or provision, whichever is appropriate. Deferred tax is accounted for in full on this balance.

Goodwill

Goodwill arising on acquisitions since 1 January 1998 is capitalised in the balance sheet and then amortised through the profit and loss account over its estimated useful life, up to a maximum of 20 years. Goodwill arising on acquisitions prior to this date was charged directly against reserves in the year of acquisition; on subsequent disposals this is charged through the profit and loss account.

Leased assets

Rental costs in respect of operating leases are charged against profit before interest as they arise.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

1 Accounting policies (continued)

Depreciation

Freehold land is not depreciated. Leasehold property is depreciated over the period of the lease. Freehold buildings, plant and machinery, vehicles, and fixtures, fittings, tools and equipment are depreciated over their estimated useful lives on a straight line basis. Estimated useful lives of these assets are:

Buildings	10 to 50 years
Plant and machinery	2 to 20 years
Vehicles	2 to 10 years
Fixtures, fittings, tools and equipment	3 to 20 years

Stocks

Stocks are stated at cost or net realisable value whichever is the lower. Cost, in the case of manufactured goods, includes direct and overhead expenses attributable to manufacture.

Taxation

Deferred tax is provided using the liability method in respect of timing differences between profits as computed for tax purposes and profits as stated in the financial statements to the extent that the liability is expected to be payable in the foreseeable future.

Government grants

Grants against capital expenditure from government and other bodies are capitalised and released to the profit and loss account over the period during which the relevant assets are depreciated.

2 Turnover and segmental information

Turnover, which originates in the United Kingdom, represents sales of chemicals to third parties excluding value added tax.

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

Analysis of turnover by geographical markets:	2000	1999
	£'000	£'000
Europe	122,189	100,032
North America	10,268	9,051
Rest of the World	20,628	25,820
	<u>153,085</u>	<u>134,903</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

3 Profit on ordinary activities before interest

Profit on ordinary activities before interest is stated after charging / (crediting):	2000 £'000	1999 £'000
Employee costs:		
Wages and salaries	10,400	14,400
Social security costs	1,347	1,524
Pension costs	(2,091)	(1,294)
Depreciation of owned tangible fixed assets	5,568	5,788
Amortisation of goodwill	740	709
Hire charges for plant & machinery	281	417
Hire charges for other assets	130	49
Government grants	(185)	(59)
Audit fees and expenses	35	36
Other fees paid to the auditors	20	-
Exceptional charges (charged to cost of sales) :		
Permanent impairment of assets	-	998
Restructuring costs	1,096	2,158

4. Directors and employees

The emoluments of all the directors were borne by the Company's parent undertakings, Elementis plc and Elementis Holdings Limited, being the companies for which they performed substantially all of their executive duties.

Certain directors had options over shares in the ultimate parent company, Elementis plc, details of which are given in the directors report of Elementis plc.

The average number of persons employed during the year was 516 (1999: 628).

5 Net interest receivable/(payable)

	2000 £'000	1999 £'000
Interest receivable in respect of:		
Cash at bank	12	22
Interest payable in respect of:		
Bank loans and overdrafts	-	(25)
	12	(3)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

6 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
The charge/(credit) for tax comprises:		
United Kingdom corporation tax @ 30% (1999: 30.25%)	2,884	2,703
Corporation tax prior year adjustment	(7)	(2,714)
Deferred tax	395	(482)
Deferred tax prior year adjustment	1,883	-
	<u>5,155</u>	<u>(493)</u>

7 Dividends

	2000 £'000	1999 £'000
Dividends paid on ordinary shares:		
Interim	<u>-</u>	<u>25,439</u>

8 Intangible assets

	Goodwill £'000
Cost:	
At 1 January and 31 December 2000	<u>11,307</u>
Amortisation:	
At 1 January 2000	709
Amortisation for the year	740
At 31 December 2000	<u>1,449</u>
Net book value:	
At 31 December 2000	<u>9,858</u>
At 31 December 1999	<u>10,598</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

9 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools & equipment £'000	Assets under construction £'000	Total £'000
Cost:					
At 1 January 2000	24,301	118,052	3,729	11,100	157,182
Additions	571	915	82	5,430	6,998
Disposals	(157)	(24,060)	(1,402)	-	(25,619)
Transfers	1,163	12,694	13	(13,870)	-
At 31 December 2000	<u>25,878</u>	<u>107,601</u>	<u>2,422</u>	<u>2,660</u>	<u>138,561</u>
Depreciation:					
At 1 January 2000	12,089	82,884	3,303	-	98,276
Charge for the year	817	4,534	217	-	5,568
Disposals	(95)	(23,931)	(1,393)	-	(25,419)
At 31 December 2000	<u>12,811</u>	<u>63,487</u>	<u>2,127</u>	<u>-</u>	<u>78,425</u>
Net book value:					
At 31 December 2000	<u>13,067</u>	<u>44,114</u>	<u>295</u>	<u>2,660</u>	<u>60,136</u>
At 31 December 1999	<u>12,212</u>	<u>35,168</u>	<u>426</u>	<u>11,100</u>	<u>58,906</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

10 Investments in group undertakings

Subsidiary undertakings

	2000 £'000	1999 £'000
Shares in group undertakings at cost:		
At 1 January 2000	34,250	34,250
Sale of investments in subsidiary undertakings	<u>(23,055)</u>	<u>-</u>
At 31 December 2000	<u>11,195</u>	<u>34,250</u>

The sale of investments during the year were as follows:

	Cost £'000	Proceeds £'000	Profit on sale £'000
Equalbadge Limited	250	251	1
Rheox Limited	22,805	25,135	2,330
	<u>23,055</u>	<u>25,386</u>	<u>2,331</u>

Principal investments in group undertakings are as follows:

	<i>Country of incorporation</i>	<i>Equity held %</i>
N B Chrome Limited	England	92

Associated undertakings

Shares in associated undertakings at cost:	£'000
At 1 January 2000 and 31 December 2000	<u>22</u>

Principal investments in associated undertakings are as follows:	<i>Country of incorporation</i>	<i>Proportion held %</i>
ALA Chemicals Limited	India	40

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

11 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	8,793	7,522
Work in progress	1,251	2,424
Finished goods and goods for resale	10,500	12,340
	<u>20,544</u>	<u>22,286</u>

12 Debtors

	2000 £'000	1999 £'000
Trade debtors	23,744	22,418
Bills of exchange	-	50
Amounts owed by group undertakings	2,502	14,146
Other debtors	5,512	1,746
Prepayments and accrued income	1,182	1,170
	<u>32,940</u>	<u>39,530</u>

Other debtors for the Company include £2,147,000 (1999:£nil) falling due after more than one year.

13 Borrowings

	2000 £'000	1999 £'000
Borrowings repayable within one year:		
Unsecured bank borrowings	<u>4,953</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

14 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Trade creditors	13,407	11,774
Amounts owed to group undertakings	4,255	10,245
Amounts due to parent undertaking in respect of corporation tax	23,328	21,617
Other taxes and social security	782	442
Other creditors	1,940	562
Accruals and deferred income	2,190	3,834
	<u>45,902</u>	<u>48,474</u>

15 Provisions for liabilities and charges

	Deferred tax £'000	Post retirement benefits £'000	Other £'000	Total £'000
At 1 January 2000	324	969	3,154	4,447
Charge/(credit) to the profit and loss account	2,278	(2,091)	1,356	1,543
Utilised during the year	-	(560)	(1,546)	(2,106)
Transferred to debtors	-	1,682	-	1,682
At 31 December 2000	<u>2,602</u>	<u>-</u>	<u>2,964</u>	<u>5,566</u>

Other provisions include environmental, restructuring and self insurance provisions. Environmental provisions at 31 December 2000 relate to chemical manufacturing sites where the Company believes that it is probable that expenditure will be incurred and have been derived using a discounted cash flow methodology. Self insurance provisions at 31 December 2000 represent the aggregate of outstanding claims plus a projection of losses incurred but not reported. Restructuring and self insurance provisions are expected to be utilised over a five year period.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

15 Provisions for liabilities and charges (continued)

The provision made for deferred tax and the full potential liability is stated below:

	Provision made		Full potential liability	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Accelerated capital allowances	2,000	1,308	8,006	5,623
Other timing differences	602	(984)	255	(1,786)
	<u>2,602</u>	<u>324</u>	<u>8,261</u>	<u>3,837</u>

The Company participates in the Elementis Group Pension Scheme. This Scheme is of the funded defined benefit type providing benefits to certain employees within the Elementis Group and the assets are held separately from the Group's assets.

The latest actuarial valuation of the Scheme was carried out as at 30 September 1999. Details of this valuation are contained in the financial statements of Elementis plc.

Total pension credit to profit and loss amounted to £2,091,000 (1999: £1,294,000).

16 Called up share capital

	Authorised		Issued and fully paid	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Ordinary shares of £1 each	<u>26,500</u>	<u>1,500</u>	<u>26,500</u>	<u>1,500</u>

By an ordinary resolution of the Company, passed on 23 June 2000, the share capital of the Company was increased to £26,500,000 by the creation of 25,000,000 ordinary shares of £1 each. 25,000,000 ordinary shares were subsequently allotted fully paid to Elementis London Limited on 23 June 2000.

17 Reserves

	Profit & loss account £'000
At 1 January 2000	4
Retained profit for the year	13,603
At 31 December 2000	<u>13,607</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000 (continued)

18 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the financial year after tax	13,603	11,532
Dividends	-	(25,439)
Increase in ordinary share capital	25,000	-
Net increase /(decrease) to shareholders' funds	38,603	(13,907)
Opening shareholders' funds	1,504	15,411
Closing shareholders' funds	40,107	1,504

19 Commitments

Commitments to pay operating lease rentals for the next year comprise:

	Land & buildings		Other assets	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Leases terminating:				
Within one year	-	13	40	101
Between one and five years	-	114	97	72
Over five years	-	-	66	-
	-	127	203	173

Capital expenditure contracted but not provided for amounted to £202,000 (1999: £209,000).

20 Contingent liabilities

The Company is a member of the Elementis Group cash management scheme, under which each company provides a guarantee to discharge the indebtedness of any other Group Company which is party to the scheme, limited to the extent of its own cash balances within the scheme.

21 Parent and ultimate parent undertakings

The Company's immediate parent undertaking is Elementis London Limited.

Elementis plc, the Company's ultimate parent undertaking, 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 One Great Tower Street, London, EC3R 5AH.

ELEMENTIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 2000 (continued)**

22 Related party transactions

As the Company is a wholly owned subsidiary of Elementis plc advantage has been taken of the exemption afforded by FRS8 not to disclose any related party transactions with members of the Elementis Group or associates and joint ventures of Elementis plc.

23 Cash flow statement

Elementis plc has presented in its consolidated financial statements a group cash flow statement drawn up in accordance with the provisions of Financial Reporting Standard 1 (FRS1). Accordingly the Company has taken advantage of the exemption available under FRS1 to dispense with presenting its own cash flow statement.