ELEMENTIS

A global specialty chemicals company

Elementis plc
Annual report and accounts

2010

Elementis plc

Based in London and listed on the London Stock Exchange. The role of the Group holding company is to:

– Set corporate objectives and the strategic direction of the Group.
– Provide leadership and direction to management and monitor corporate and business performance.
– Set high standards in business conduct and ethics, and in business, employee and community relations.
– Set policy and provide oversight for governance, financial control and risk management, and health, safety and environmental performance.
– Provide funding for the Group to invest in growth.

OUR SPECIALIST BUSINESSES

Elementis Specialty Products

What we do

The Specialty Products division provides high value functional additives to the architectural and industrial coatings, personal care and oilfield drilling markets that improve the flow characteristics and performance of our customers' products or production processes. The business has a significant presence in the science of rheology, which in its simplest form means our technology imparts thickness and viscosity control. For example, paint without rheological additives would have the consistency of water, but paint with our additives is smooth, homogeneous and has a controlled, even spread on a surface. The same requirements for rheological additives exist in personal care products, such as creams and lotions, and in oil and gas drilling applications, providing the viscosity required to extract material during the drilling process.

In addition to rheology additives, the business provides a comprehensive portfolio of specialty additives to its customers, including defoamers, colourants and tinting systems, waxes and surface active additives.

Key strengths

The Specialty Products business provides an ideal growth platform with its balanced geographical exposure across mature and emerging economies, strong technology base and strategic market diversification. The business has a significant technical service and application support presence in all its markets, which has been built on long term relationships of trust, collaboration and technical expertise. The business's differentiated technology innovation is supported by "best in class" process technology and tightly held manufacturing know how.

We own and operate the only rheology grade hectorite mine in the world, which owing to its unique properties makes it a premium raw material used in many of our products.

Key products

– Rheological additives/modifiers
– High performance dispersing agents
– Flow and levelling additives
– Other specialty additives and resins
– Organoclays
– Colourants and pigments
– Defoamers and coalescing agents
– Wetting and slip agents
– Lanolin and other natural oil derivatives

Key sectors

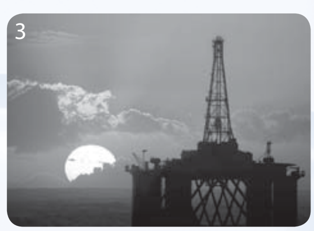
– Architectural coatings: homes, offices and similar environments
– Industrial coatings: protective applications in automotive, containers, furniture, flooring, marine, plastics and construction
– Oilfield: drilling and fracturing fluids utilised in oil and gas exploration activities
– Construction: concrete, plasters, mortars, renderings, stuccos, flooring systems and building adhesives
– Personal care: antiperspirants, nail enamels, mascara, make-up, eye shadow, lipsticks, creams, lotions and suncare products

Supply chain

– Top ten customers represent 24 per cent of divisional sales
– Many competitors from multinationals to privately owned enterprises
– Key raw material suppliers are for clays, quaternary amines and other chemical intermediaries

Key facts

– The Group's largest and most profitable division
– Employs over 1,000 people
– Located at 24 locations worldwide
– Ten manufacturing locations in the United States, Europe and Asia Pacific



1: Architectural or decorative paints require different performance specifications
2: Industrial coatings require high performance additives
3: Oilfield and shale gas drilling uses specialist drilling fluids
4: Personal care products use rheological additives

Elementis Chromium

What we do

The Chromium division provides chemicals to its customers that make their products more durable in applications, such as aerospace alloys, timber treatment and leather production.

Key strengths

The business successfully implemented a strategic reorganisation in 2009 that created a more flexible and cost competitive operating footprint capable of delivering stable earnings and cash flow over a broad range of economic conditions. The restructured operating platform allows the business to focus on key regional sectors and value added product offerings and to retain a strong geographical presence in North America, with export sales to Latin America, Europe and Asia.

Key products

- Sodium dichromate
- Chromic acid
- Chromic oxide
- Liquid chrome sulphate

Key sectors

- Leather tanning
- Metal finishing
- Timber treatment
- Chrome metal alloys
- Ceramics/refractory

Supply chain

- Top ten customers represent 50 per cent of divisional sales
- Competitors: one multinational company and a number of privately owned producers
- Key raw material suppliers are for chrome ore, soda ash and sulphuric acid

Key facts

- Employs over 250 people
- Located at five locations in the United States

1: Leather is treated to enhance its durability
2: Chrome metal alloys are used in a wide range of applications
3: Timber is treated with chromic acid to enhance its durability

Elementis Surfactants

What we do

The Surfactants business manufactures a wide range of surface active ingredients and products that are used as intermediates in the production of chemical components. Our products have many applications and are used in a large number of industries and sectors, such as in oilfield services, household, textiles and leather and other niche markets.

Key strengths

The strengths of the business are in its flexibility and ability to produce a wide range of complex products in relatively small quantities, customised to meet our customers' requirements.

Key products

- Range of surface active ingredients

Key sectors

- Oilfield production chemicals
- Construction chemicals
- Agro-chemical and animal feed markets
- Pharmaceutical manufacture
- Textiles and leather
- Plastics and resins
- Household
- Resin and polymer emulsification

Supply chain

- Top ten customers represent 66 per cent of divisional sales
- Many competitors from multinationals to privately owned enterprises
- Uses ethylene and propylene oxides, nonylphenol ethoxylate and fatty alcohols to manufacture its products

Key facts

- Employs over 160 people
- Shares manufacturing plant in Delden, the Netherlands with Elementis Specialty Products

1: Surfactants are used in the manufacture and pouring of concrete
2: Surfactants are used in the textile and leather industries as emulsifiers for spinning oils and softeners for leather
3: Quats are used in laundry and car and truck washes

(All percentage figures quoted are based on 2010 sales revenues.)

AT A GLANCE

Who we are

Elementis plc (the "Company") is a global specialty chemicals company with operations worldwide that serve customers in North and South America, Europe and Asia Pacific in a wide range of markets and sectors. The Company has a premium listing in the UK on the London Stock Exchange and is a member of the FTSE 250 Index, making it one of the 350 largest companies in the UK by market capitalisation, and is also a member of the FTSE4Good Index – a leading global responsible investment index.

London Stock Exchange LISTED PREMIUM

FTSE4Good

What we do

The Company comprises three businesses: Specialty Products, Chromium and Surfactants. Both Specialty Products and Chromium hold leading market positions in their chosen sectors. Elementis employs over 1,300 people at more than 30 locations worldwide.

- The Specialty Products division provides high value functional additives to the architectural and industrial coatings, personal care and oilfield drilling markets that improve the flow characteristics and performance of our customers' products or production processes.
- The Chromium division is a leading producer of chromium chemicals that make its customers' products more durable.
- The Surfactants business manufactures a wide range of surface active ingredients and products that are used as intermediates in the production of chemical components.

Key facts

3
Specialist businesses

30
Locations around the world

1,300+
Group employees

15
Manufacturing locations

Where we do it

Key

- Specialty Products
- Surfactants
- Chromium
- Executive Management Headquarters
- Corporate Head Office

Cautionary statement:
The Annual Report and Accounts for the financial year ended 31 December 2010, as contained in this document ("Annual Report"), contain information which viewers or readers might consider to be forward looking statements relating to or in respect of the financial condition, results, operations or businesses of Elementis plc. Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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HIGHLIGHTS AND FINANCIAL SUMMARY

Highlights

Significant improvement in Group sales and operating profit
– Sales up 24 per cent; Operating profit* up 183 per cent

Operating margin continued to improve as the year progressed
– First half 13.6 per cent; Second half 15.8 per cent

Record performance in Specialty Products
– Sales up 30 per cent; Operating profit up 132 per cent

Chromium saw good profit and margin growth

Strong cash generation with year end net debt reduced to $79.3 million
– Net debt to EBITDA 0.6 times

Full year dividend increased by 7 per cent

Financial summary

	2010	2009	Change
Sales	**$697.4m**	$563.7m	+24%
Operating profit	**$102.3m**	$36.2m*	+183%*
Profit before tax	**$96.0m**	$28.3m*	+239%*
Diluted earnings per share	**15.2c***	4.3c*	+253%*
Net debt	**$79.3m**	$106.3m	
Profit/(loss) for the year	**$74.1m**	$(57.4)m	
Basic earnings/(loss) per share	**16.7c**	(12.9)c	
Dividend to shareholders:			
– final proposed	**2.6c/1.6p**	1.4p	+14%
– full year	**4.9c/3.1p**	2.9p	+7%

* Before exceptional items

COMPANY OVERVIEW
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CHAIRMAN'S STATEMENT

Robert Beeston
Chairman

I am very pleased to report on the significant improvement in the Group's financial performance in 2010, following the effects of the general economic downturn in 2009. The results are particularly satisfying to the Board because at the core of the improvement are a number of strategic actions that have been undertaken by management over the last three years to improve the level and quality of the Group's earnings. These actions have also positioned us for growth by placing talented business teams in high growth markets and geographies, where our inherent skills can be fully leveraged to produce exceptional performance. Such actions have included the acquisition of Deuchem in Taiwan and China, the acquisition of Fancor in personal care, the reorganisation of the Chromium business and several high quality additions to our business teams. All of these actions combined to make a significant contribution to this year's excellent results and ensure the Group is well positioned for further profitable growth.

Results

Revenues in the period were $697.4 million compared to $563.7 million in the previous year, which is an increase of 23 per cent after adjusting for currency and acquisitions. Operating profit in 2010 improved by 183 per cent to $102.3 million, compared to $36.2 million in the previous year, before exceptional items. In Specialty Products, the Group's largest business, sales volumes were well ahead of the previous year in both the first and second halves of the year, demonstrating solid underlying growth in this business. In Chromium, the 2009 restructuring exercise is already showing positive results with good earnings and cash flow improvements in the year.

Earnings per share, before exceptional items, in 2010 improved to 15.2 cents, compared to 4.3 cents in 2009. During the year the Group concluded that it should recognise the value of certain deferred tax assets relating to past losses, resulting in a tax credit of $5.8 million. As this is a non-recurring, one-time event it has been recorded as an exceptional item in our financial statements. Basic earnings per share in 2010, including the tax credit, was 16.7 cents compared to a loss of 12.9 cents in 2009, which also included a number of one-time charges.

Balance sheet

As a result of the Group's strong earnings and cash generation in 2010 the balance sheet has continued to strengthen and at the end of the year the ratio of net debt to EBITDA had fallen to 0.6x (2009: 1.9x). In addition, the deficit in the Group's pension schemes, as measured under IAS 19, declined by $44.3 million to $67.4 million at the end of the year.

Having also concluded a new four year, $200 million bank financing facility in July 2010, the Board is very confident of the Group's ability to finance further growth.

Dividend

In 2009 the Board decided to maintain the dividend payout at the 2008 level of 2.9 pence, despite the economic downturn, because of its confidence in the Group's strategy and ability to make rapid progress as global economies recovered. This has clearly been borne out by the excellent results reported for this year and so the Board feels it is appropriate to recommence dividend growth. The Board is therefore recommending a final dividend of 2.6 cents per share which will be paid on 3 June 2011 in pounds sterling at an exchange rate of £1=$1.619 (equivalent to a sterling amount of 1.6 pence per share), to shareholders on the register on 6 May 2011. This brings the total return to shareholders for the year to 4.9 cents (3.1 pence), representing an increase of seven per cent over the previous year. Going forward the Board intends to continue to progress the dividend as the Group's dollar earnings and cash flow permit.

Health, safety and the environment

I am happy to report that our activities in this important area of our business have continued to be of a high standard in 2010 with, again, no significant incidents reported by any of our businesses.

People

The first rate results reported by the Group this year are, in no small part, the result of the efforts, dedication and skill of our people around the world. On behalf of the Board I would like to thank them all for their tremendous contribution to our success.

Outlook

The positive momentum and market demand experienced in 2010 has continued into the early part of 2011. Even though the first half of 2010 was positively impacted by customer restocking, our revenues and margins in the early part of this year are, nevertheless, showing an improvement over the previous year and our order book is currently robust. The Board remains confident in the Group's strategy of continuing to focus on leveraging the unique characteristics of the Specialty Products business to generate further added value and growth. We are therefore confident of the Group's ability to make further good progress in 2011.

Robert Beeston
Chairman
1 March 2011

GROUP CHIEF EXECUTIVE'S OVERVIEW

David Dutro
Group Chief Executive

Dear Shareholders,

In last year's report, I wrote of our resolute commitment to enter 2010 in a stronger competitive position and poised to generate material growth, during what we anticipated to be a period of modest progress in global GDP. I am pleased to report that we successfully executed that strategy in 2010, yielding strong financial results across all of the Group's activities. Group operating profit, operating margin, free cash flow and EPS all improved sharply over 2009, and these improving trends for the Group resulted in several earnings upgrades over the course of the year. All three Elementis businesses made material contributions to the improvement and amongst the highlights were:

- The significant improvement in Group sales and operating profit.
- A continued improvement in Group operating margin with an accelerating trend across the year.
- Strong operating cash flow performance which was enhanced by structural improvements to working capital.
- A record performance in Specialty Products with sales up 30 per cent, operating profit up 132 per cent.
- The solid performance from Chromium which delivered strong cash flow and good profit and margin growth.
- The significant reduction in our net debt position, which reduced by $27 million to $79.3 million.

Specialty Products, which is our largest business representing 70 per cent of Group operating profit, reported its best year ever in terms of sales and operating profit. This record performance is even more notable given that the recovery in the critical North American coatings market in 2010 was from a much lower base than other regions and therefore bodes well for our future as that region continues to recover. The 2008 Asia Pacific based acquisitions of Deuchem, a specialty additives company, and Yuhong, a local organoclay producer, have proven instrumental in providing Elementis with a powerful growth platform in Asia Pacific. Asia Pacific is a key component of our future growth strategy and is now Specialty Products' largest sales region, delivering growth in 2010 of 20 per cent year on year.

Innovation has been and will continue to be at the heart of our success in Specialty Products. Our product portfolio, new product development and investment in technology are unified by one simple over-arching theme: to make our customers more successful. We are aligned with the market leaders on a global basis and have long term relationships with these customers. We have cultivated a reputation as the company that provides the most comprehensive and value added solutions for their formulary challenges. This focus on delivering value to our customers resulted in significant new business. An example is in the shale gas drilling sector where our innovative products allow customers to drill faster, further and more efficiently. We are investing behind these innovative products to build profitable market share and have implemented a number of productivity initiatives and capacity expansion projects, including a significant capacity expansion at our Charleston, West Virginia facility to support the growth of our shale gas drilling product range. As strong as the innovation programme has been to date, we are equally pleased with the quality of our new product pipeline going forward.

The acquisition of Fancor in December 2009 strengthened the product offering of our profitable personal care business and is consistent with our strategy to preferentially invest and grow the Specialty Products business. The quality of the Specialty Products business is reflected in its margins, which are moving back to the peak levels experienced in 2007/8, a level that we believe is sustainable based on the value we deliver to our customers. While our products are a small percentage of the overall cost of our customers' formulations they are critical to the performance and therefore highly valued. This characteristic allows the business to pass through increases in our input cost and maintain true specialty chemical margins.

Rheology, the science of flow and viscosity, is a key component of our product offering and value proposition in Specialty Products. Elementis owns and operates the only commercial grade hectorite clay mine in the world, a substance that has unique rheological properties, giving Elementis a sustainable competitive advantage. Currently we estimate the productive life of the hectorite mine to be in excess of 50 years.

Elementis Chromium delivered excellent results in 2010 reflecting the benefits of the restructured business, further validating the new business model and giving us greater confidence in the ability of the business to deliver more stable earnings and cash flow. The business delivered operating margins of 17 per cent and a return on capital of 44.8 per cent in 2010. The strong demand from our customers experienced in 2010 is expected to continue into the foreseeable future and confidence in our ability to pass through any cost increases and maintain margins is high. We have also invested in an alternative energy project that will allow the Castle Hayne, North Carolina facility to operate on natural gas as well as fuel oil. This capital investment will give the business greater flexibility to procure energy in a more cost effective manner going forward. Moreover, the move to natural gas will not only save money for Elementis, given present energy costs, it also has the potential to reduce greenhouse gas emissions at Castle Hayne by as much as 25 per cent.

The Surfactants business, based in the Netherlands, made good progress in 2010 in its strategic intent to improve its product and market mix, effectively selling less volume into the lowest margin commodity segments and more into the better margin markets. The business also improved its operational productivity compared to 2009, as volumes improved in key operational segments. As such, earnings showed good improvement over the near break-even level in 2009. This business shares its production facility with the Specialty Products business and the goal remains to utilise more of the facility over time to support the coatings additives that are used by Specialty Products.

While we are encouraged and proud of the Group's continuing progress and that our 2010 results are ahead of expectations on almost every performance measure, we are certainly not satisfied and believe that there is much more that we can achieve. The reality is we still have significant opportunities to drive further improvement in performance and results for our shareholders. Elementis is strategically well placed to benefit from the powerful global trends of robust growth in shale gas drilling, the opportunities provided by our established position in emerging and high growth markets, especially in Asia, and our portfolio of highly valued and innovative products particularly in all-natural personal care formulations and high performance coatings.

We have a collective sense of optimism within Elementis about the near and long term future of the Group. This optimism is based on the ongoing positive transformation of our company into a business that can reliably generate strong profits and cash flow, giving us the financial flexibility to invest for future growth to deliver shareholder value.

The positive momentum in market demand and growth that we experienced in 2010 has continued into the early part of 2011. Our revenues and margins continue to show improvement over the same period in 2010 – despite the first half of last year being a period of significant customer restocking. Coupled with our robust order book, these trends give us confidence in our ability to deliver further good progress in 2011. Moreover, our financial strength, unique competitive advantages, reputation in the global marketplace and, most importantly, the quality and character of our people, give us confidence in our ability to deliver further growth well into the future.

I would like to sincerely thank our shareholders and customers for their continued confidence and support.

David Dutro
Group Chief Executive
1 March 2011

"While we are encouraged and proud of the Group's continuing progress and that our 2010 results are ahead of expectations on almost every performance measure, we are certainly not satisfied and believe that there is much more that we can achieve. The reality is we still have significant opportunities to drive further improvement in performance and results for our shareholders."

STATEMENT OF GROUP STRATEGY

Our strategy

The strategy of the Group is to profitably grow the Specialty Products business by delivering product and technological innovation in order to make our customers more successful, utilising cash flow from the Chromium and Surfactants businesses.

How we will deliver our strategy

1. Preferentially growing the Specialty Products business through a mixture of organic growth from new products, markets, applications or geographies, and selective acquisitions in rheology or complementary additives, with the aim of growing revenue and market share whilst maintaining margins.

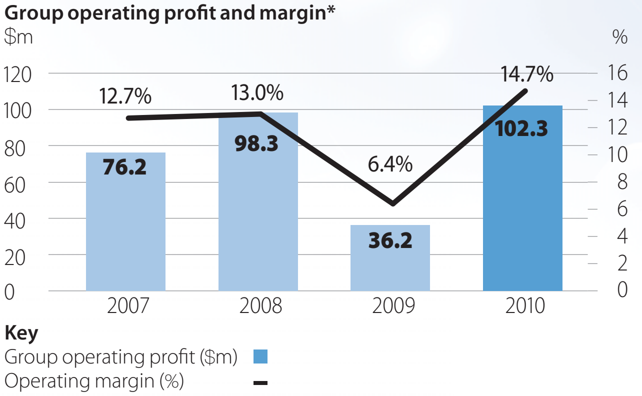
2. Consistently delivering a relatively stable and sustainable level of earnings from the Chromium business by serving higher margin markets and customers, optimising operational performance from the business's more flexible and lower cost manufacturing footprint, and improving margins through maintaining pricing discipline, managing energy and raw material costs and creating more efficient supply chains.

3. Steadily upgrading the product portfolio in Surfactants by focussing on higher margin applications, while at the same time maintaining cost discipline.

4. Continually improving the quality of the Group's balance sheet by generating strong free cash flow and reducing the proportion of non-business items, such as legacy pension funds.

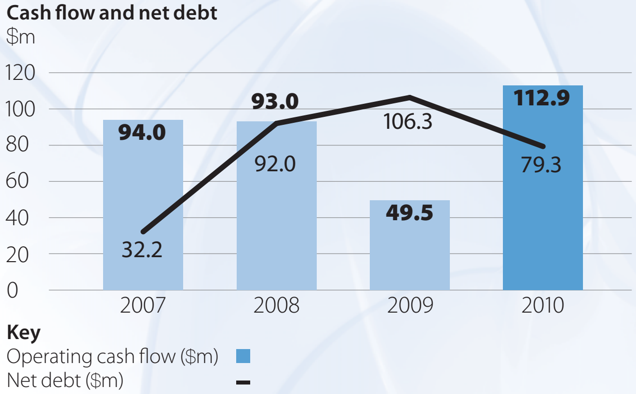
Group key performance indicators

Group operating profit and margin*



* 2007 to 2009 before exceptional items

Cash flow and net debt



Linking strategy and performance to our management of risk

A review of the key risks to our businesses and strategy is presented in the Principal risks and uncertainties section in the Business review on page 15.

BUSINESS COMMENTARIES

Revenue

	Revenue 2009 $million	Effect of exchange rates $million	Increase 2010 $million	**Revenue 2010 $million**
Specialty Products	315.2	(4.3)	99.9	**410.8**
Surfactants	76.3	(4.1)	15.9	**88.1**
Chromium	183.4	(0.2)	26.5	**209.7**
Inter-segment	(11.2)	–	–	**(11.2)**
	563.7	(8.6)	142.3	**697.4**

Operating profit

	Operating profit* 2009 $million	Effect of exchange rates $million	Increase/ (decrease) 2010 $million	**Operating profit 2010 $million**
Specialty Products	30.9	3.8	37.1	**71.8**
Surfactants	0.1	(0.3)	6.3	**6.1**
Chromium	13.9	5.0	16.9	**35.8**
Central costs	(8.7)	–	(2.7)	**(11.4)**
	36.2	8.5	57.6	**102.3**

* Before exceptional items

"Best in class technical support and customer service are critical core competencies of the business and provide the platform to deliver added value in the coatings, oilfield drilling and personal care markets."

Elementis Specialty Products

Greg McClatchy
President of Elementis Specialty Products and Elementis Surfactants

	2010 $million	2009 $million
Sales	**410.8**	315.2
Operating profit	**71.8**	30.9
Operating margin	**17.5%**	9.8%
ROCE**	**35.5%**	15.0%

** Before tax and excluding goodwill

Business strategy

To grow in rheology products and complementary additives through new product innovation, expansion into new geographies and bolt-on acquisitions.

Areas of focus

- Excellent customer service and understanding
- Technical expertise and support, and product innovation
- Operational excellence to maintain margins and improve procurement and supply chain efficiencies

Measuring performance against our stated objectives

- Sales and operating profit up 30 per cent and 132 per cent respectively
- Operating margin increased to 17.5 per cent
- Pricing discipline: offsetting input inflation by selective price increases
- 12 month average working capital to sales ratio reduced by 780 basis points to 19.7 per cent
- Return on capital employed improved to 35.5 per cent (2009: 15.0 per cent)
- On-time, in full delivery performance up two per cent to 90 per cent
- Acquisition of Fancor integrated into the business

2011 focus

- Organic growth through R&D and increasing the percentage of sales attributed to new products
- Selective complementary and bolt-on acquisitions, if available

Elementis Specialty Products is a leading manufacturer of rheology control additives that are used to enhance the performance of our customers' products. It is the global leader in organoclay technology, with a unique position in hectorite clay, owning the only rheology grade hectorite mine in the world. Best in class technical support and customer service are critical core competencies of the business and provide the platform to deliver added value in the coatings, oilfield drilling and personal care markets. The strategy of the business is to grow in high value rheology products and complementary additives through new product innovation, expansion into new geographies and bolt on acquisitions. In coatings, the largest of its markets, Elementis has a unique global position, providing technical service and a broad product offering to both multinational and regional coatings companies. Its position in high growth markets was significantly enhanced by acquisitions in Taiwan and China in 2008. In personal care, Elementis is a significant player based on its expertise in hectorite rheology and further expanded this position in 2009 with the acquisition of Fancor, which added a number of eco-friendly, plant seed oil based products for skin and hair care. In oilfield drilling, Elementis is the preferred supplier to oil service companies for high performance rheological additives used in drilling. The business's unique technology and strong alignment with key industry players have allowed it to benefit from the recent increase in drilling activity for shale gas resources in North America.

Sales in Specialty Products for 2010 were $410.8 million compared to $315.2 million in the previous year, an increase of 30 per cent or 32 per cent on a constant currency basis. The acquisition of Fancor in December 2009 contributed three per cent to current year sales, while improvements in volume contributed 26 per cent and pricing two per cent. Successful execution of its core strategy has allowed the business to fully leverage the economic recovery, which led to especially strong customer demand in the first half of 2010 when sales increased by 49 per cent compared to the same period in 2009. Sales in the second half were 14 per cent better than the same period in 2009, demonstrating strong underlying demand.

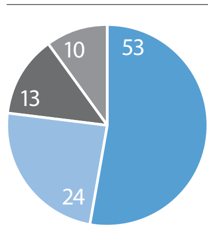
Sales in the Americas coatings market showed a strong recovery with volumes improving by 20 per cent on a year on year basis. A similar pattern was evident in coatings sales in Europe where full year volumes improved by 21 per cent. Asia Pacific is now our largest coatings market in terms of sales following our acquisition of Deuchem in 2008. Sales volumes to the Asia Pacific coatings market grew by a robust 19 per cent, with additives growing by 25 per cent, demonstrating the continued attractiveness of this market and the strong position that Elementis enjoys. Overall sales to the global coatings market represented 77 per cent of Specialty Products' total sales and coatings volumes grew by 20 per cent.

Sales volumes to the oilfield drilling sector grew by 68 per cent in 2010, with sales in the Americas growing by 83 per cent due to significantly increased activity in shale gas drilling and a general recovery of market activity coupled with rising oil prices. In Europe sales volumes grew by 20 per cent due to increased demand from North Sea drilling activities.

Sales volumes in personal care improved by 78 per cent in 2010 or 22 per cent excluding the acquisition of Fancor. Sales in Europe, where the business has its strongest customer base, showed particularly good growth (+38 per cent) and the acquisition of Fancor is already providing synergistic benefits from a broadened product offering and an enhanced position in North America.

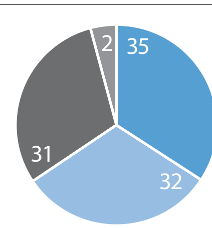
Operating profit in Specialty Products was $71.8 million in 2010, an increase of 132 per cent over the previous year. The strong increase in sales volumes was the main driver of the improvement, with higher selling prices offsetting raw material and energy inflation. In addition, margins were improved in selected markets where tight supply conditions prevailed. The year on year comparison also benefited from $3.8 million of net currency movements, with 2009 incurring currency hedging costs of $5.3 million. As the business continues to expand in high margin areas, additional investments in high quality people and other resources have been made, along with plant resources to meet additional volume, which increased fixed costs by approximately $4 million. Operating margin for Specialty Products was 17.5 per cent in 2010 (2009: 9.8 per cent) and improved throughout the year due to strong demand and improved pricing. Operating margin in the first half of 2010 was 17.3 per cent compared to 17.7 per cent in the second half.

Elementis Specialty Products



Revenue split (%)

Key
- Industrial coatings
- Architectural coatings
- Oilfield
- Personal care



Geographical sales (%)

Key
- North and South America
- Europe
- Asia Pacific
- Rest of the world

Elementis Surfactants

	2010 $million	2009 $million
Sales	**88.1**	76.3
Operating profit	**6.1**	0.1
ROCE	**24.5%**	0.3%

Business strategy
To focus on higher margin markets, such as agro-chemicals, feed, plastic and resins to balance the base-load activity in high volume commodity applications.

Areas of focus
- Offer innovative products to the market and to customers
- Improve productivity, operational efficiencies and sales focus
- Target growth in higher margin segments to improve profitability

Measuring performance against our stated objectives
- Sales and operating profit up 15 per cent and 6,000 per cent respectively
- 12 month average working capital to sales ratio reduced by 580 basis points to 12.7 per cent
- Return on capital employed improved to 24.5 per cent (2009: 0.3 per cent)

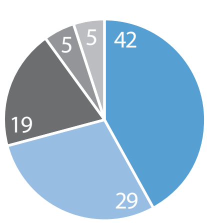
2011 focus
- Continuing the transition of product portfolio to higher margin niche markets and sectors
- Maintaining sales and commercial focus to improve the level of earnings and tight management of operating costs

Elementis Surfactants is a specialty surfactant manufacturer offering innovative products to markets, such as oilfield chemicals, textile and leather, construction and household products. Its strategy is to focus on higher margin markets, such as agro-chemicals, feed, plastic and resins, and over time reduce higher volume, low margin applications. At the same time the business seeks to reduce operating costs by improving the productivity of its manufacturing facility in Delden, the Netherlands, which it shares with the Specialty Products business.

Surfactant sales in 2010 were $88.1 million compared to $76.3 million in the previous year, representing an increase of 15 per cent, or 21 per cent on a constant currency basis. Sales volumes increased by one per cent with volumes in oil service chemicals improving by 31 per cent compared to the previous year, while volumes sold in other, low margin sectors reduced by 11 per cent. This improvement in the mix of products sold was in line with management's strategy. Selling prices were increased throughout the year in response to petrochemical raw material cost inflation.

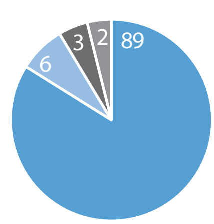
Operating profit in 2010 was $6.1 million compared to $0.1 million in 2009. During the year the business benefited from its share of a one-time legal settlement with a former owner of the Delden site in the amount of $2.7 million (see Finance report) and excluding this gives an underlying result for 2010 of $3.4 million. The net increase over 2009 of $3.3 million is the result of improvements in productivity and product mix, as mentioned above, and tightly controlled fixed costs.

Elementis Surfactants



Revenue split (%)

Key
- Oilfield chemicals
- Other
- Textile and leather
- Household
- Resins



Geographical sales (%)

Key
- Europe
- Rest of the world
- North and South America
- Asia Pacific

Elementis Chromium

Dennis Valentino
President of Elementis Chromium

	2010 $million	2009 $million
Sales	**209.7**	183.4
Operating profit*	**35.8**	13.9
Operating margin	**17.0%**	7.6%
ROCE	**44.8%**	12.9%

* Before exceptional items

Business strategy

To produce stable earnings and cash flow by serving higher value markets, providing high quality, higher margin products, such as chromic acid and chromic oxide to its customers; and utilising its flexible manufacturing base to adjust to changes in demand.

Areas of focus

- Operational discipline to maintain price and cost competitiveness and margins
- Improve cost base by securing supply of raw materials and energy
- Superior customer service and technical support applications

Measuring performance against our stated objectives

- Sales and operating profit up 14 per cent and 158 per cent respectively
- Operating margin increased to 17 per cent
- 12 month average working capital to sales ratio reduced by 1,540 basis points to 19.8 per cent
- Return on capital employed improved to 44.8 per cent (2009: 12.9 per cent)
- Manufacturing operating at high capacity utilisation

2011 focus

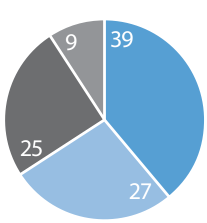
- Increasing output through operating efficiencies and de-bottlenecking
- Maintaining level of earnings and cash flow through optimising product mix, controlling raw material and energy costs, broadening the supplier base and managing working capital

Elementis Chromium is one of the world's largest suppliers of chrome chemicals, which are used in a variety of end markets including metal alloys, metal finishing, leather tanning and refractory applications. Supply/demand balances are a significant driver of margins in the global chromium chemical market and Elementis Chromium seeks to produce stable earnings and cash flow by serving higher value markets and by utilising its flexible manufacturing base to adjust to changes in demand. As the only global producer with its manufacturing base located in the United States, Elementis Chromium is uniquely positioned to serve this market with value added products, offering just in time service via custom designed delivery systems.

Sales in 2010 were $209.7 million compared to $183.4 million in the previous year, which is an increase of 14 per cent, with currency having no material impact on the comparison. Volumes recovered strongly in the first half of the year, driven by the economic recovery and customer restocking, and demand generally remained strong throughout the year. All of our markets, with the exception of US construction, showed a year on year improvement. Consequently plant operating rates remained close to capacity for most of the year. Overall, volumes for the year were 12 per cent higher than in 2009, with first half volumes 45 per cent higher than the same period last year. Sales volumes in the second half of 2010 remained at, or near, plant capacity but were nevertheless ten per cent lower than the previous year due to the closure of Eaglescliffe and sale of the remaining inventory at the site during the latter part of 2009. Regionally, volumes to North America and Asia Pacific grew by 32 per cent and 25 per cent respectively, with volumes to Europe 31 per cent lower than the previous year as a result of the UK plant closure.

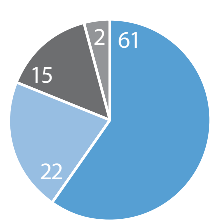
Operating profit in 2010 improved by 158 per cent over the previous year to $35.8 million. Operating margin for 2010 was 17.0 per cent compared to 7.6 per cent in the previous year. The margin in the second half of the year was 18.7 per cent compared to 15.4 per cent in the first half. (All 2009 comparatives here are before exceptional items.) Strong volume gains and improved pricing contributed most of the improvement and margins were improved by the closure of the Eaglescliffe plant which reduced sales of non-differentiated products. The year on year result also benefited from relatively stable energy and raw material costs during 2010. These costs were fixed for the year, mostly during the second half of 2009, as part of the business's annual hedging programme to help minimise cost volatility and stabilise earnings. As these contracts expire, variable costs will trend higher, but will be offset by selling price initiatives. In addition the year on year comparison was positively impacted by $5.2 million of currency hedging costs incurred in 2009.

Elementis Chromium



Revenue split (%)

Key
- Chromic acid
- Sodium dichromate
- Chromic oxide
- Liquid chrome sulphate



Geographical sales (%)

Key
- North and South America
- Asia Pacific
- Europe
- Rest of the world

Brian Taylorson
Finance Director

Revenue

	2010 $million	2009 $million
Specialty Products	**410.8**	315.2
Surfactants	**88.1**	76.3
Chromium	**209.7**	183.4
Inter-segment	**(11.2)**	(11.2)
	697.4	563.7

Operating profit

	2010 Operating profit $million	2010 Exceptional items $million	2010 Adjusted operating profit $million	2009 Operating profit $million	2009 Exceptional items $million	2009 Adjusted operating profit $million
Specialty Products	**71.8**	–	**71.8**	30.9	–	30.9
Surfactants	**6.1**	–	**6.1**	0.1	–	0.1
Chromium	**35.8**	–	**35.8**	(30.6)	44.5	13.9
Central costs	**(11.4)**	–	**(11.4)**	(40.9)	32.2	(8.7)
	102.3	–	**102.3**	(40.5)	76.7	36.2

Group results

Group sales in 2010 were $697.4 million compared to $563.7 million in the previous year, an increase of 24 per cent, or 23 per cent on a constant currency basis after excluding acquisitions. All three Group businesses showed a strong rebound in sales following the economic downturn of 2009. Customer restocking was a prominent feature during the first half of 2010, in both Specialty Products and Chromium, but customer demand remained robust throughout the balance of the year. Selling prices across the Group improved by five per cent in response to raw material inflation and sales volumes increased by 17 per cent compared to 2009.

Group operating profit was $102.3 million in 2010 compared to $36.2 million (before exceptional items) in 2009. Strong growth in volumes, combined with higher selling prices were the main drivers of the improvement. Group operating margin for 2010 was 14.7 per cent compared to 6.4 per cent (before exceptional items) in 2009 and showed improvement throughout the year due to strong market demand for our differentiated products, high plant utilisation rates and selective price increases. Operating margin in the first half of 2010 was 13.6 per cent and increased to 15.8 per cent in the second half. The price of energy across the Group remained relatively stable in 2010, compared to 2009, due to the Group's policy of fixing energy costs ahead of time in order to reduce earnings volatility. In the second half of 2010 the Group reached a settlement with a former owner of the Delden site, in which Elementis received Euro 2.75 million ($3.8 million) in return for releasing that party from certain historical indemnities relating to the site. This amount was added to operating profit in the year and, as the site serves both businesses, was allocated between Specialty Products ($1.1 million) and Surfactants ($2.7 million). These amounts were not treated as exceptional items as they did not meet the relevant materiality threshold.

Currency hedging

Following the Group's decision in February 2010 to change its reporting currency to US dollars, currency hedging activities have been significantly reduced, focussing mostly on exposures to the euro and pounds sterling. However in 2008, when the reporting currency was still pounds sterling, currency hedges in US dollar/sterling were transacted by the Group to hedge its anticipated dollar earnings for 2009. The net cost of these hedges in 2009 was $10.2 million, resulting from the strengthening of the dollar in that year, and was divided equally between Specialty Products and Chromium. Consequently, the year on year comparison of operating profits in 2010 is positively impacted by these amounts.

Central costs

Central costs are costs that are not identifiable as expenses of a particular business, and are comprised of expenditures of the Board of directors and the corporate office. In 2010 central costs increased by $2.7 million to $11.4 million largely as a result of an increase in the value of performance related compensation programmes, reflecting the Group's improved share price and earnings performance.

Exceptional items

An exceptional tax credit of $5.8 million has been recognised during the year in respect of deferred tax assets relating to past losses and other timing differences which are now considered recoverable against future UK trading profits. It has been treated as an exceptional item on account of its size and non-recurring nature. Exceptional items in 2009 consisted mainly of $33.5 million relating to European Commission fines and $44.5 million associated with the strategic review and subsequent closure of the Eaglescliffe chromium plant.

Interest

	2010 $million	2009 $million
Finance income	**0.4**	1.2
Finance cost of borrowings	**(3.7)**	(3.1)
	(3.3)	(1.9)
Net pension finance expense	**(1.9)**	(6.0)
Discount on provisions	**(1.1)**	–
	(6.3)	(7.9)

Net interest costs reduced by $1.6 million to $6.3 million. The net cost of borrowing increased by $1.4 million to $3.3 million due mainly to increased margins on the Group's main borrowing facility, which was renewed in July 2010, and additional costs from interest rate hedges transacted in September 2010. The interest rate hedges were entered into in order to swap $51 million of Group debt from floating to four year fixed rates.

Net pension finance expense reduced by $4.1 million in 2010 to $1.9 million. The decline was largely due to an improvement in the expected return on pension assets between the two periods.

Discount on provisions of $1.1 million relates to environmental provisions on the balance sheet which are calculated on a discounted basis, hence the cost of the discount is recognised each year as an interest charge. In 2009 the charge was adjusted to zero as part of a provision rebalancing exercise.

Taxation

Tax charge

	2010 $million	2010 Effective rate per cent	2009 $million	2009 Effective rate per cent
Before exceptional items	**27.7**	**28.9**	9.3	32.8
Exceptional items	**(5.8)**	**(6.1)**	(0.3)	(1.1)
Total	**21.9**	**22.8**	9.0	31.7

The pre-exceptional tax charge which is an effective tax rate of 28.9 per cent (2009: 32.8 per cent) reflects a reduction in levels of taxation due to the geographical split of profits and changes to underlying rates of tax payable.

The exceptional items relate to the credit arising on the recognition of a UK deferred tax asset in respect of UK losses and other timing differences which are now considered recoverable against future UK trading profits. In addition a further UK deferred tax asset has been established in respect of the UK pension fund deficit and the related credit accounted for within the consolidated statement of comprehensive income.

Earnings per share

Note 9 to the Financial Statements sets out a number of calculations of earnings per share. To better understand the underlying performance of the Group, earnings per share reported under IFRS is adjusted for items classified as exceptional.

Diluted earnings per share, before exceptional items, was 15.2 cents compared to 4.3 cents in the previous year and the improvement was mainly due to the operating profit performance noted above.

Basic earnings per share including exceptional items is after taking account of the one-time tax credits noted above and was 16.7 cents compared to a loss of 12.9 cents in 2009. The impact of exceptional items was to increase reported earnings per share by 1.5 cents (2009: reduced by 17.2 cents).

Distribution to shareholders

During 2010 the Group paid a final dividend in respect of the year ended 31 December 2009 of 2.2 cents (1.4 pence) per share. An interim dividend of 2.3 cents (1.5 pence) per share was paid on 8 October 2010 and the Board is recommending a final dividend of 2.6 cents (1.6 pence) per share which will be paid on 3 June 2011.

Cash flow

The cash flow is summarised below:

	2010 $million	2009 $million
EBITDA[1]	**123.7**	56.7
Change in working capital	**1.9**	8.1
Capital expenditure	**(14.0)**	(13.8)
Other	**1.3**	(1.5)
Operating cash flow	**112.9**	49.5
Pension deficit payments	**(18.4)**	(10.7)
Interest and tax	**(8.8)**	(8.6)
Exceptional items	**(40.7)**	(22.8)
Other	**(1.8)**	–
Free cash flow	**43.2**	7.4
Dividends paid	**(20.0)**	(20.0)
Receipt of unclaimed dividends	**0.8**	–
Acquisitions and disposals	**1.1**	(8.6)
Currency fluctuations	**1.9**	6.9
Movement in net borrowings	**27.0**	(14.3)
Net borrowings at start of year	**(106.3)**	(92.0)
Net borrowings at end of year	**(79.3)**	(106.3)

[1] EBITDA – earnings before interest, tax, exceptional items, depreciation and amortisation

Net borrowings reduced by $27.0 million in 2010 to $79.3 million, resulting in a ratio of net debt to EBITDA of 0.6x (2009: 1.9x). In 2009 net debt increased by $14.3 million. This positive outcome for the year was generated by a significant improvement in Group EBITDA and a positive performance in working capital management. EBITDA improved from $56.7 million in 2009 to $123.7 million in 2010 as a result of the increase in operating profit for the year, while the Group's excellent progress in working capital management delivered a positive cash flow of $1.9 million in a year when sales grew by 24 per cent. In other categories of cash flow, payments towards the Group's pension deficit were $18.4 million in 2010 compared to $10.7 million in the previous year (see comments later in this section). Interest and tax payments increased by $0.2 million to $8.8 million, largely due to increases in tax payments as a result of the higher earnings in the year. Cash outflows related to exceptional items were $40.7 million and included the EU fine ($33.5 million) and spending on the closure of the Eaglescliffe site, both of which were reported on in the 2009 Annual Report.

All of the Group's businesses made good progress in working capital management during 2010 due to continued emphasis on high quality supply chain management and rigorous credit management.

As a result, inventory days for the Group reduced by 15 days to 75 days, debtor days remained stable at 50 days and creditor days improved by nine days to 60 days. All of this was achieved during a period of rapid sales growth, further demonstrating the high quality of our efforts in this area.

Balance sheet

	2010 $million	2009 $million
Intangible fixed assets	**338.1**	339.5
Other net assets	**120.9**	53.1
	459.0	392.6
Equity	**379.7**	286.3
Net borrowings	**79.3**	106.3
	459.0	392.6
Gearing[2]	**17%**	27%

[2] The ratio of net borrowings to equity plus net borrowings

Group equity increased by $93.4 million in 2010 (2009: decreased by $99.6 million) mainly due to the current year profit after tax of $74.1 million (2009: loss of $57.4 million), a decrease in Group liabilities for retirement benefits of $44.3 million (2009: increase of $40.7 million) and dividends paid or accrued of $20.0 million (2009: $20.0 million). Other net assets increased by $67.8 million in 2010 (2009: decreased by $98.0 million) mainly due to a decrease in retirement benefit liabilities, a decrease in Group provisions of $42.3 million (2009: increase of $59.4 million) and an increase in net deferred tax liabilities of $16.1 million. Comments on the changes in Group provisions and deferred tax are included elsewhere in this report.

The main dollar exchange rates relevant to the Group are set out below:

	2010 Year end	2010 Average	2009 Year end	2009 Average
Pounds sterling	**0.64**	**0.65**	0.62	0.65
Euro	**0.75**	**0.75**	0.70	0.72

Provisions

A provision is recognised in the balance sheet when the Group has a present obligation as a result of past events which is expected to result in an outflow of economic benefits in order to settle the obligation. At the end of 2010 the Group held provisions of $48.5 million (2009: $90.8 million).

During the year an amount of Euro 23.5 million was paid in respect of the European Commission's fines following on from their investigation into heat stabilisers, which were highlighted in last year's Annual Report and had been provided for in the 2009 accounts. The Group has since filed an appeal with the General Court of the EU, vigorously asserting its position that the EU Commission was precluded from imposing any fine on the Group.

The Group's environmental provision has been calculated using a methodology consistent with previous years and with the Group's external consultants having performed an updated assessment of liabilities during the latter part of the year. Including the costs associated with the closure of the Eaglescliffe facility, the Group had a provision for environmental costs of $46.2 million at 31 December 2010 (2009: $54.7 million) of which $31.2 million relates to sites maintained by the Group (2009: $38.3 million) with the remainder relating to sites no longer under Group control. $8.1 million was spent on the Eaglescliffe closure programme with an anticipated spend in 2011 of $7.1 million.

Pensions and other post-retirement benefits

	2010 $million	2009 $million
Net liabilities:		
UK	**28.9**	69.4
US	**34.4**	39.4
Other	**4.1**	2.9
	67.4	111.7

The Group operates several pension plans in different countries and a retirement medical scheme in the US. The largest of these is the UK defined benefit pension scheme ("UK Scheme") which had a deficit under IAS 19 of $28.9 million at the end of 2010, a decrease of $40.5 million compared to 2009. The UK Scheme is relatively mature with approximately 68 per cent of its gross liabilities represented by pensions in payment. During 2010 the Group concluded the latest triennial valuation and funding agreement, in pounds sterling, with the Trustees of the UK Scheme. The valuation exercise resulted in an agreed deficit, for funding purposes, of £101.7 million as at 30 September 2008. Under the related funding agreement the Group has agreed to make deficit contributions of £7.1 million in 2010 and, thereafter, an annual amount of either £8.0 million or £10.0 million, depending on whether an EBITDA threshold amount of £53.2 million is achieved by the Group in the previous financial year. The higher amount being paid for any year in which the threshold is exceeded. The agreement also includes a commitment to increase the annual contribution by the same percentage as any increase in shareholder dividend, once the annual dividend exceeds the equivalent of 3.5 pence per share. The next triennial valuation will be conducted as of 30 September 2011 and the related funding discussions with the Trustees should be concluded during 2012.

In 2010 the UK Scheme deficit, under IAS 19 and excluding currency effects, declined as a result of an increase in the scheme assets of $44.7 million (2009: $57.9 million) which more than offset an increase in scheme liabilities of $6.5 million (2009: $105.0 million). Scheme liabilities were positively impacted by $11.7 million relating to a change in the basis for revaluing deferred pensions, which in the future will be based on CPI rather than on RPI. This change in the treatment of deferred member pensions is as a result of recent announcements by the Government that it intends to use CPI as the "statutory rate" for pension purposes. The scheme assets increased in value largely as a result of a 12 per cent return on investments in the year (2009: 16 per cent). With the support of the Company the Trustees have developed an investment strategy that broadly includes 50 per cent of the assets being invested in a "liability matching fund" and 50 per cent in an "investment fund". The liability matching fund consists of bonds, gilts and liquid assets, plus a portfolio of interest and inflation rate swaps, constructed in such a way as to match the interest and inflation risks inherent in a similar percentage of the scheme liabilities. The purpose of this fund is to finance a portion of the liabilities without creating significant volatility in the reported deficit. The investment fund, on the other hand, consists of a portfolio of "return seeking" assets, largely equities, with the aim of funding part of the liabilities by generating higher returns at an acceptable risk while also contributing to reducing the deficit over time.

The US liabilities in 2010 consist of a pension plan, with a deficit value of $26.2 million (2009: $31.3 million) and a post-retirement medical plan with a value of $8.2 million (2009: $8.1 million). The US pension plan is smaller than the UK Scheme and is closed to future accruals. The deficit in the plan declined by $5.1 million (2009: $10.2 million) during the year, due to an increase in the scheme assets of $11.2 million and an increase in the scheme liabilities of $6.1 million. The scheme assets were 74 per cent invested in equities and had a return of 15 per cent in the year (2009: 28 per cent), which was the main contributor to the increase in value. The scheme liabilities increased mainly due to a fall in real bond yields during the year.

Other liabilities amounted to $4.1 million (2009: $2.9 million) and relate to pension plans for a relatively small number of people in Germany and an insured plan in the Netherlands.

KEY PERFORMANCE INDICATORS

The Group's key performance indicators are a standard set of measures against which each business reports on a monthly basis. Incentive plans include targets against the annual operating plan for operating profit and average trade working capital to sales ratio.

1. Operating profit/operating margin

Operating profit is the profit derived from the normal operations of the business. Operating margin is the ratio of operating profit or loss, before exceptional items, to sales. The Group achieved an operating profit of $102.3 million for the year ended 31 December 2010 (2009: $36.2 million before exceptional items). The Group's operating margin was 14.7 per cent compared to 6.4 per cent in 2009.

2. Average trade working capital to sales ratio

The trade working capital to sales ratio is defined as the 12 month average trade working capital divided by sales, expressed as a percentage. Trade working capital comprises inventories, trade receivables and trade payables. It specifically excludes prepayments, capital or interest related receivables or payables, working capital related to acquisitions made in the year and items classified as other receivables and other payables. The Group's 12 month average trade working capital to sales ratio at 31 December 2010 was 18.0 per cent (2009: 27.7 per cent).

3. Return on operating capital employed

The return on operating capital employed is defined as operating profit before exceptional items divided by operating capital employed, expressed as a percentage. Operating capital employed comprises fixed assets (excluding goodwill), working capital and operating provisions. Operating provisions include self insurance and environmental provisions but exclude restructuring provisions and retirement benefit obligations. The Group's return on operating capital employed was 39.7 per cent for the year ended 31 December 2010 (2009: 13.3 per cent).

4. Lost time accidents

A lost time accident ("LTA") is any work related injury or illness sustained by an employee or directly employed contractor whilst working at the Group's premises that results in greater than three days lost, excluding the day of accident. There were four LTAs in 2010 (2009: two).

5. Contribution margin

Contribution, which is defined as sales less all variable costs, divided by sales and expressed as a percentage is the definition of contribution margin. The Group's contribution margin in 2010 was 36.2 per cent (2009: 31.6 per cent).

6. Operating cash flow

The operating cash flow is defined as the net cash flow from operating activities less net capital expenditure but excluding income taxes paid or received, interest paid or received, pension contributions net of current service cost and exceptional items. In 2010 the operating cash flow was $112.9 million (2009: $49.5 million).

PRINCIPAL RISKS AND UNCERTAINTIES

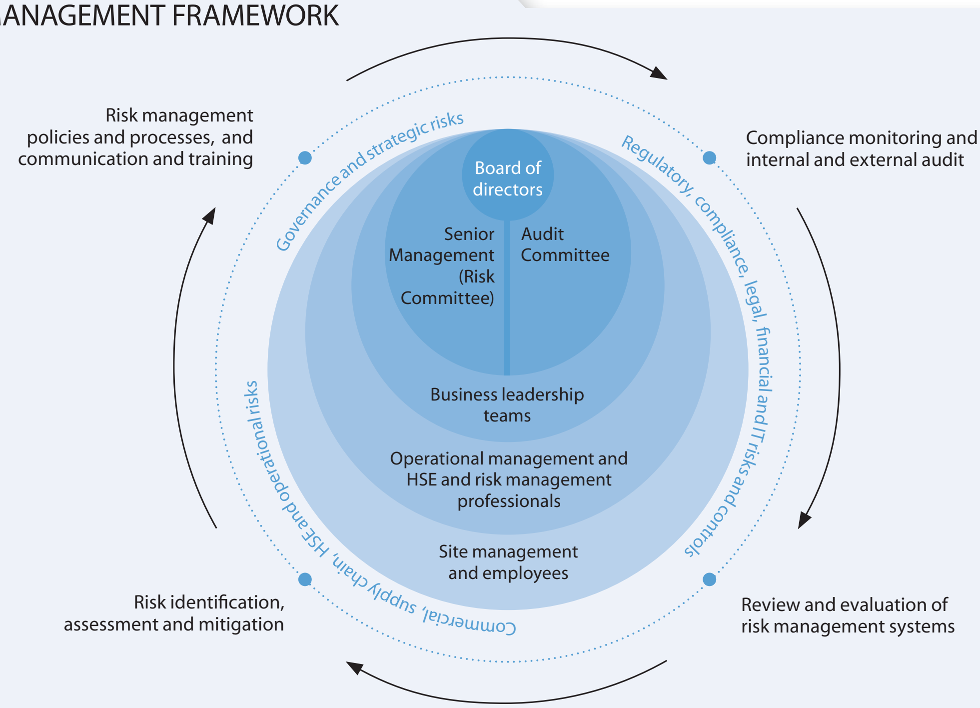
Risk management framework and review
The Board is ultimately responsible for the management of risk in the Group. With guidance from management and advisers, where appropriate, it sets the tone for the Group's policies on risk, appetite for risk and levels of risk tolerance and specifically approves: the Group's insurance programme and risk management policies and plans; significant insurance and/or legal claims and/or settlements; major acquisitions, disposals and capital expenditures; and the Group's Annual Operating and Three Year Plans. The day to day management of risk is delegated to the executive directors and the management team, who have specific responsibility for ensuring compliance with and implementing policies at corporate, divisional and business unit level. The Board retains an oversight role and has a schedule of matters specifically reserved to it for decision, with strict delegation of authority limits that have been communicated throughout the businesses and are well understood by the management team and business leaders.

Figure 1 shows the key components of the Elementis risk management framework. It shows that the management of risk is embedded at every level throughout the Group, and involves a continuous and active process of risk evaluation and review of policies, processes and compliance. In addition, our holistic approach to risk management is supported by specific roles and activities that are undertaken during the year, and these are summarised on the right.

Principal features of the Elementis risk management system
The Group's risk management arrangements and processes are integrated with the management of the businesses and comprise the following elements:

- Regular review at Board level (as a formal agenda item in at least four meetings each year plus on an ad hoc basis);
- Monthly review at management team level, including of policies, organisation, resources and business and corporate risks;
- Schedule of matters reserved for Board decision only together with specific delegation of authorities;
- Group risk management policy and associated guidance and procedures;
- Insurance and risk transference strategy;
- Group compliance audit and employee training programmes;
- Presentations and reports from business units to management team and Board;
- Risk mapping and assessment exercises, with a comprehensive Group risk register identifying risk mitigation actions;
- Business continuity planning including testing and simulation exercises;
- Review of litigation by the Board in conjunction with the Group General Counsel;
- Internal audit programme; and
- Role of Audit Committee in monitoring financial controls and the reporting of performance.

Figure 1
ELEMENTIS RISK MANAGEMENT FRAMEWORK



A key aspect of our risk management system is the Company's system of internal control and the processes that have been put in place to manage the associated financial, operational and compliance risks and keep them under review. An important part of the internal control framework is the internal audit service and the role of the Audit Committee. The internal audit programme is managed by PricewaterhouseCoopers, under the direction of the Finance Director, reports to the Audit Committee and involves a series of planned and surprise audits at Group and tolling sites during the year. These have a strong emphasis on financial controls but often include other aspects of business risks and controls, such as health, safety and environment reporting, and compliance with anti-corruption policies. The report of the Audit Committee, including a description of its role, and the statement on internal control are set out in the Corporate governance report on pages 31 to 33.

Principal risks and uncertainties

A list of the principal risks to the business that were discussed by the Board during the year is shown in the table opposite, together with the context of the discussions relative to the Group's strategy and operating plans, business model and performance. The Board also discussed other risks and risk mitigation action, as part of its review of the Group's risk register, that are not disclosed opposite. These more general discussions included anti-corruption policies and procedures, our business continuity and emergency response plans (for example to a major site incident), and site operational matters (such as plant security, safety and key role succession plans).

Treasury policies and objectives

Treasury activities are governed by policies and procedures approved and monitored by the Board. The Group operates a central treasury function which manages and monitors external and internal funding requirements and the following treasury risks:

- Credit risk,
- Liquidity risk,
- Market risk.

These risks and the Group's policies to manage them are set out in Note 22 to the Financial Statements.

Brian Taylorson
Finance Director
1 March 2011

Risk and Impact

1) Double-dip recession

Poor trading conditions or slower than forecast GDP growth rates mean lower volumes, which can lead to lower output and capacity utilisation levels; erosion of operating margins; reduced productivity and profitability; lower earnings and cash flow can lead to bank covenant breach.

2) Disruption to raw material supplies

Shortage of key raw materials owing to supply difficulties, transportation strikes or increased prices, would disrupt operations, leading to lower output and capacity utilisation levels, erosion of operating margins, and reduced productivity and profitability.

3) Availability of financing

Availability of financing (on acceptable terms) to the Company to ensure funding for growth plans and, if available, acquisitions. Failure would compromise growth and acquisition plans, and place a strain on cash flows.

4) Litigation and other claims from products and historical and ongoing operations

Costs of defending claims or regulatory actions, or obligations to pay damages or fines, could reduce profitability; negative press coverage could damage business reputation and value.

5) UK pension fund

Changes to assumptions used in valuing UK pension fund deficit can lead to an increase in funding costs; size of pension deficit can impact the Company's share price and value.

6) Loss of strategic direction

Either through not identifying and making acquisitions or not diverting enough resources to developing new products/markets, leading to loss of competitive advantage.

Context	Mitigation
• Board review of monthly and year-to-date business and financial performance against management and market forecasts.	• Financial performance (including monthly sales, profit and cash flows) is closely monitored with full year forecasts updated three times a year and variances explained and investigated; • Contingency and cost reduction plans can be implemented in the event of an economic downturn to reduce operating costs, including freezing salaries and non-essential capital expenditure items; and • Appropriate headroom maintained to minimise risk of bank facility covenants being breached.
• Board review of monthly and year-to-date business and financial performance against management and market forecasts.	• Source from a broad and diverse supplier base; • Strategic holding of chrome ore inventory; • Transport and carrier mitigation plans and insurance; and • Energy and raw material costs are hedged where possible and flexible fuel project in Chromium to allow use of either gas or fuel oil.
• Board review of monthly and year-to-date business and financial performance against management and market forecasts; • Contingency planning review; and • The Board's review of growth priorities and objectives.	• Company's bank facilities were renewed in July 2010 for four years; • Alternative private placement opportunities have been considered and remain available; and • Management maintains a good relationship with a syndicate of global banks and monitors cash flows to ensure sufficient headroom is maintained to ensure bank facility covenants are not breached.
• Internal audit and risk management systems in relation to controls concerning legal and regulatory compliance; • Board review of monthly and year-to-date business and financial performance; • Periodic litigation reviews; and • Insurance renewal programme.	• Active compliance and risk management programme in place (including policies, procedures and training) managed by experienced General Counsel who is supported by in-house and external legal teams; and • Additional role of the Audit Committee, as well as the internal audit programme.
• Board's review of the Company's short and longer term priorities, including organic and acquisitive growth.	• Pension investment strategy includes significant element of liability matching; • Options for pension de-risking periodically reviewed; and • Long term funding plan agreed with UK pension trustees.
• Board review of monthly and year-to-date business and financial performance against management and market forecasts; • Board's review of the Company's short and longer term priorities, including organic and acquisitive growth; and • Board's review of annual operating and three year plans.	Key Board priorities: • To grow the Specialty Products business through a mix of selective acquisitions and the development of new products and technologies for use in existing and new territories and sectors; and • Deliver stable earnings and cash flow from the Chromium business. The Board receives regular reports throughout the year on progress against these priorities.

CORPORATE SOCIAL RESPONSIBILITY REPORT

FTSE4Good

Elementis joined the FTSE4Good Index in September 2009

Introduction

Elementis has continued to run its businesses with a high level of interest in, and concern for, its corporate and social responsibilities ("CSR"). The Company has developed its programme in this area over a number of years and our commitment was recognised in September 2009 when Elementis was judged to have met the criteria for inclusion in the FTSE4Good global responsible investment index.

The Company's CSR activities are centred on four core areas: people, community, environment and business relationships. Each of these areas is critical to the operation of the business and long term success of the Company, which is why the Group Chief Executive is responsible for these areas at Board level.

People

Our employees are our most valuable asset and drive the success of our Group at all levels, from product innovation and technology leadership to business performance and customer service. With our workforce spread across three continents (41 per cent in North America, 27 per cent in Europe and 32 per cent in Asia), it is essential that we have one set of corporate values that all our employees can identify with and our HR policies and practices are designed to do exactly that. We have one Elementis culture which is to be innovative, successful, responsible and leaders in the sectors in which we operate. To foster this kind of culture, we have policies and guidance that encourage and support positive behaviours. Some of these policies and examples of our culture are described below.

Business ethics

The Elementis Code of Business Conduct and Ethics (the "Code"), which is supported by anti-corruption and anti-harassment policies and related guidance, is something that all employees sign-up to and receive training on. It helps employees understand the standards of ethical business practices that are expected from them at work, and to be aware of ethical and legal issues that they may encounter in the course of carrying out their duties and responsibilities. In addition, our businesses are required to ensure independent contractors, consultants, agents and sales representatives who represent the Group agree to the same high standards as the Group's employees while working on Group business.

The following is a summary of the Code's key features:

- Knowledge of and compliance with the Code is expected and all employees have a duty to report violations, supported by a non-retaliation policy and whistleblowing procedures;
- Rules on complying with all applicable laws, rules and regulations including anti-trust, bribery and insider dealing; and
- Rules and guidance on: conflicts of interest; political donations and outside activities/interests; gifts, gratuities and loans; confidential information and privacy; fair dealing with customers, suppliers and other third parties; and anti-harassment.

Health and safety

The Group takes the health and safety of all its employees, contractors and visitors to its premises very seriously. Policies, practices and performance, which are reviewed routinely by senior operations management, are supported by guidance and training, and a programme of health and safety compliance audits on a three yearly rolling cycle. There is a well established incident notification and reporting system in place, so that all recordable safety incidents are reported to the management team and the Board. Investigations are carried out following any incidents or near misses with corrective action being taken to mitigate the risk of their recurrence, and the results and improvements are shared throughout Group sites.

A summary of the Group's policy on health, safety and environmental matters can be found on the Group's website at:
www.elementisplc.com/governance-responsibility

Safety performance

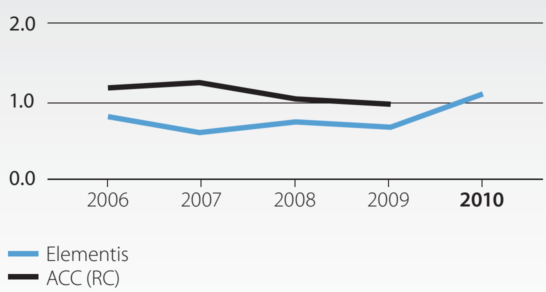
The Company's safety goal is zero recordable incidents and we seek to achieve this through maintaining our strong focus on, and commitment to, safety design, safe behaviours and high safety standards.

The principal measure of safety performance used across the Group is recordable incidents (as defined by the US Occupational Safety & Health Administration). Recordable incidents are work related injuries and illnesses that require medical treatment beyond first aid. An important sub-set of recordable injuries is lost time accidents ("LTAs"), which generally reflect on the severity of such injuries and illnesses.

During 2010, the number of recordable incidents increased from nine in the previous year to 14 globally. All incidents were investigated thoroughly to establish root causes and identify appropriate corrective actions. The primary cause of this increase was due to an unusual number of incidents in non-production areas, for example, slipping in the office car park while it was raining, falling when carrying coffee cups while walking up stairs or cutting a thumb when using glass laboratory equipment. The number of incidents occurring within plant operations was similar to last year. None of the incidents is expected to have long term effects on the employees. However, the abnormal number of office incidents has led to a significant increase in safety awareness training in those areas. The Board has taken a close interest in these developments and it is a priority for management that these issues are fully addressed.

As well as the total number of recordable incidents, the Board monitors the overall trend, or the recordable incident rate, which for 2010 was 1.10 per 200,000 hours worked (2009: 0.69). Notwithstanding the increase in recordable incidents last year, our recordable incident rate (based on American Chemistry Council – Responsible Care statistics) continues to show that our performance is comparable with companies that are generally viewed as "best in class".

Recordable incident rate
Recordable incidents per 200,000 hours worked



(ACC data for 2010 not available)

Elementis also monitors its safety performance using the UK Health & Safety Executive's definition of LTAs (greater than three days lost, not including day of incident). Using this measure, four of the recordable incidents were classed as LTAs in 2010 (2009: two), which equates to a rate of 0.16 LTAs per 100,000 hours worked (2009: 0.08).

To ensure comprehensive monitoring of our safety performance, Elementis also records and reports separately the recordable injury rate for contractors working at our sites. Contractors are closely supervised and are subject to compliance with Elementis safe systems of work. As a result, the safety performance of contractors is generally comparable to that for Elementis employees. The contractor recordable injury rate in 2010 was 1.5 per 200,000 hours worked (2009: 0.63).

Training, employment policies and practices

As well as employment policies and related guidance, the Group recognises the importance of providing training. Web-based, modular training courses, designed in conjunction with the Integrity Interactive Corporation, are offered to employees across the Group. Some of these courses are mandatory for all employees, such as training on the Code, and others are only mandatory depending on the job, role or position. These courses include topics such as "Mutual respect in the workplace", "Human rights", "Environmental stewardship", "Anti-trust", "Privacy and data protection" and "Financial integrity". Courses are offered in multiple languages. There is also great emphasis at sites on health and safety training.

Elementis recognises international standards for human rights and strives to ensure equality of opportunity and fair rewards for expertise and knowledge at all its locations globally. Details of our employment policies and information about employee communication are summarised in the Directors' report on page 26. The Company also recognises that its employees and contractors, customers and suppliers (where relevant), have a right to expect the Group to respect their wider fundamental human rights and is supportive of this view. The Group's Code of Business Conduct and Ethics sets standards and provides guidance to ensure that, wherever relevant or practicable, consideration is taken in business decisions of the wider fundamental human rights of all employees, contractors, customers and suppliers.

Having policies in place is one way of showing commitment to CSR issues, but the examples that follow demonstrate the Elementis culture in action. During last year, 150 employees out of 228 at the Delden facility in the Netherlands took part in the Elementis Cup football tournament. In the US, 71 employees were recognised for five year service milestones in celebratory presentations held at various locations. Every year, the management headquarters in Hightstown, New Jersey hosts a Thanksgiving event for employees. At another family event, 337 employees and family members attended a summer picnic. At the Songjiang plant, in Shanghai, 200 employees took part in a rigorous team-building event, complete with obstacle courses.

These are just a few examples of our Elementis culture in action and, throughout the year, employees also get together to support charities and other community events and campaigns in a variety of different ways. These are described below.

Community

Elementis understands the need to work with local communities to provide information on its activities and be a responsible neighbour. A good example of this commitment is the ongoing work of employees at our Newberry Springs site in California, which is situated in a desert region. The Specialty Products business is a sponsoring partner of the Mojave Environmental Education Consortium ("MEEC"), a partnership programme between businesses and state departments and agencies, which provides many environmental education programmes and resources for teachers and students. As well as our involvement through the MEEC, employees at Newberry Springs, where our unique hectorite mine is located, also run four educational tours each year, covering various aspects of the plant and mine operations, such as its history, uses of industrial minerals, mining operations and maintenance of plant equipment.

Another part of our wider commitment involves encouraging and supporting employees to be active in their communities through volunteer work or fundraising. Elementis takes a decentralised approach to working with the communities in which we operate. The Company sets guidelines but does not dictate any specific areas or priority for corporate support, since we are aware that needs and priorities vary from community to community. This bottom up approach is designed to encourage management and employees at individual sites to focus on local issues and to take the initiative.

The preference is to support the areas and causes in which our employees participate. The following are examples of some of the causes that enjoyed corporate support in 2010. Elementis and its employees in the US have been supporters for many years of Cape Fear Area United Way in Wilmington, North Carolina near our Castle Hayne chromium site and United Way of Greater Milwaukee where we have a smaller processing facility serving a local leather tannery. United Way is a network of volunteer-driven, non-profit organisations that work with many other partners and programmes, involving local government departments and agencies and other civic and community groups, to address many different areas of need in local communities. These include, as examples, homelessness, poverty, unemployment, education or health related needs. Our employees support these United Way organisations because they target support locally at charities and causes in very broad and diversified areas. An example of this very local approach is providing after school programming for children from unstable homes or providing prescription discount cards to those who do not have medical insurance. As well as financial support, our employees have also served on the board of directors in these organisations.

Other examples of corporate support include: sponsoring an employee who participated in the London Marathon to raise funds for the Alzheimer's Society; matching donations raised by a group of employees from our Livingston plant, who participated in a fundraising walk to Ben Nevis, in order to help fund home care to a young girl who has a serious medical condition; and sponsoring a child from Belarus, organised by the Friends of Chernobyl's Children UK registered charity.

Including donations made in the UK, which are disclosed on page 28, the Group made charitable donations worth more than $56,040 in 2010 (2009: $36,724) to over 40 (2009: 35) different groups or organisations supporting various causes in and around the locality of our offices and plants around the globe. As well as the specific examples given, organisations and groups supported last year include the global Red Cross relief effort for the earthquake in Haiti, local youth and sports clubs, schools, arts groups, hospice and other welfare related groups, a drought relief and education initiative, and medical research and health related charities.

Environment

Elementis seeks to operate its facilities in a way that minimises the impact on the environment. We view compliance with all applicable legal requirements and other codes of practice as our minimum standard. Our sustainable development strategy requires that we work proactively to reduce emissions, minimise waste from our processes, conserve valuable natural resources and ensure responsible product stewardship throughout the supply chain.

In addition to complying with environmental regulatory reporting requirements, Elementis records and categorises incidents into tiers based on the severity of the incident on the environment or actions taken by regulatory authorities. Tier 3 incidents are those that have an impact on the environment and require reporting to an external authority, who are likely to take action. Tier 2 incidents have a minor impact and require notification but are likely to result in minimal or no action by the authorities. Tier 1 incidents require no external reporting and are recorded internally and investigated so that continual improvements can be made to reduce the likelihood of future Tier 2 and Tier 3 incidents.

Environmental performance

Our target is to comply with all environmental regulations and permits, with zero environmental incidents classed as Elementis Tiers 2 and 3. Beyond that we strive for continual improvement in standards to reduce our impact on the environment.

In 2010 Elementis had excellent success in preventing environmental incidents: once again there were no Tier 2 or Tier 3 incidents (2009: zero Tier 2 or Tier 3). As noted above we do not report Tier 1 incidents externally as these are treated as operational learning opportunities rather than non-compliances.

Emissions to air, discharges to water and waste disposal are regulated by external authorities and controlled carefully within Elementis. The table overleaf shows our performance in this area as well as our water and energy usage over the past three years.

Some of the data presented in Table 1 is influenced by production levels, so an increase or decrease does not necessarily mean our performance in these areas have improved or deteriorated. The impact on levels of production as a result of the economic recovery in 2010, the recession and the closure of the Eaglescliffe facility in 2009, are reflected in the data for these years. The columns showing per tonne of production are affected by changes in the product mix and plant efficiencies. As is standard practice in the chemical industry, some emission values may be calculated from energy use or based on samples rather than continuous monitoring. However, environmental emissions, discharges and solid waste data are subject to periodic internal audits to ensure accuracy and consistency of reporting.

Table 1 – Environmental performance

	2010 Absolute (000s)	2010 Per tonne of production	2009 Absolute (000s)	2009 Per tonne of production	2008 Absolute (000s)	2008 Per tonne of production
CO_2 emissions (tonnes)	**261**	**0.99**	206	1.01	408	1.06
Water consumed (m^3)	**1,848**	**6.99**	1,263	6.21	2,202	5.90
Energy consumed (GJ)	**4,926**	**12.1**	4,306	13.5	6,964	13.6
	Absolute (000s)	**Per 1,000 tonnes of production**	Absolute (000s)	Per 1,000 tonnes of production	Absolute (000s)	Per 1,000 tonnes of production
Hazardous waste disposed (tonnes)	**1.20**	**4.54**	3.02	14.86	1.23	3.18
Non-hazardous waste disposed (tonnes)	**114**	**433**	87	426	180	465

Emissions to air

As reported in previous annual reports, Elementis is committed to reducing, wherever it can, its emissions of greenhouse gases ("GHG"), such as carbon dioxide ("CO_2"), and complies with relevant national CO_2 reduction schemes, such as the Carbon Reduction Commitment energy efficiency scheme in the UK. In addition, a project is underway at our Chromium plant at Castle Hayne that will allow the substitution of natural gas for fuel oil in powering our production kilns. This project has the potential to reduce combustion generated CO_2 emissions at the site by up to 25 per cent.

The Group's operations also result in some emissions of the oxides of sulphur and nitrogen, which can cause acid rain. Volatile organic compounds, where emitted, can damage soil and ground water or combine with nitrogen oxide to cause smog. However, all these emissions are controlled to comply with regulatory permits and, as the volumes are not considered to be significant, they are not reported here.

Discharges to water

Maintaining the water quality of the areas in which we operate is a regulatory issue and vital to protect the ecosystems and communities in which we operate. The Group's production activity generates process effluent with low concentrations of organic material that are discharged to water. This is measured as chemical and biological oxygen demand. These are regulated by external authorities and managed carefully by Elementis. However, the volumes of these discharges are not considered to be significant and are not reported here.

Any emissions to air or discharges to water above regulatory permitted levels will continue to be reported each year under environmental incidents.

Water consumption

With the exception of the hectorite mine in California, the Company does not operate in areas of extreme water shortage. Nevertheless, water is a valuable resource and the Company recognises the global need to conserve water. Water consumption is minimised where possible by treatment and recycling.

As stated above, in addition to output levels, product mix and plant utilisation can influence consumption levels at the per tonne level. With production levels in 2010 recovering from 2009 to, and exceeding, 2008 levels, total water consumption increased in 2010, but was less than the 2008 figure, owing to product mix. However, the consumption rate per tonne showed a small increasing trend over the three years to 2010. This trend reflects the utilisation levels in 2009, when plants were operating at less than full capacity, and changes to product mix in 2010.

Energy consumption

The Group is committed to reducing, wherever it can, its consumption of energy because the use of fossil fuels in energy production can contribute to global warming in the form of GHG. There is also the added incentive that energy is an expensive resource and its efficient use has a significant effect on the cost of production. As the Group uses a range of fuel sources purchased conventionally in a variety of units, we report usage in gigajoules ("GJ") to provide consistent energy units. Much of the decrease in energy consumption per tonne in 2010 is directly attributable to the smaller Chromium business. The production of chromium chemicals accounted for 69.9 per cent of the energy consumption in the Group (2009: 73.5 per cent).

Solid waste

As part of our commitment to sustainable development, Elementis seeks to minimise the quantity of all types of waste. The quantity of hazardous waste resulting from our operations has reduced significantly over the last decade. The increase in 2009, as explained in last year's annual report, was due to some specific site remediation projects. The low level that remains is highly controlled and subject to licensed disposal. Non-hazardous waste is minimised and recycled as far as possible. Non-hazardous waste is predominantly the inert residue from the chromate kiln operations, which is deposited in our own permitted impoundments and licensed landfill sites adjacent to the manufacturing facilities.

The Group encourages the re-use, reduction and recycling of general office waste and recycling schemes are in place at various office locations. The amount of general office waste is not reported separately from non-hazardous waste, as the volumes are not considered to be significant.

Product stewardship

Elementis recognises its responsibility to ensure that its products are safe for intended use, transport and the environment. Safe use is guided by long experience of many of our products in conjunction with third party studies and regulatory requirements. Information is provided via technical bulletins, safety data sheets and labelling – supported by discussion with our customers and suppliers, and participation in studies by industry associations.

We continuously adopt a consistent and coordinated approach to regulatory matters concerning our products at global, national and regional levels which complement industry voluntary efforts. Where new regulations are required, we believe they should be based on established scientific risk assessment and risk management principles. They should be predictable, flexible and capable of responsibly addressing society's economic, environmental and safety requirements.

The Group is fully engaged in the European REACh programme with more than 700 substances pre-registered to cover products manufactured in Europe, imported products and required raw materials. To support our global customers and markets, we implemented a structure to enable us to provide "Only Representative" services under REACh to cover imports into Europe by Group entities and key customers. The Product Stewardship team is involved in many consortia coordinating the REACh registration of our most important product categories. We will continue providing active support to consortia and organisations such as CEFIC (European Chemical Industry Council) and SIEF (Substance Information Exchange Forum) as appropriate.

In 2010, we registered the REACh Tier 1 substances and submitted notifications of over 1,300 substances to ECHA (European Chemicals Agency) for classification, labelling and packaging. Elementis was compliant with all EU Globally Harmonised System ("GHS") safety data sheets ("SDS") and labels for the required non-mixture products on 1 December 2010. Our new GHS SDS and labels are designed with colour HAZCOM pictographs and all necessary languages for the EU.

In addition to complying with the REACh regulatory requirements for its products, during 2010 Elementis implemented new systems, assessments and documents to comply with the United Nations GHS for classification and labelling rules in many countries around the world. We can now publish documents in more than 35 languages. Many other countries are revising and authorising new chemical control legislation. Elementis is actively meeting these new regulations in our global markets. For example in Japan, we have prepared new GHS SDS and labels for all products in Japanese for their new Chemical Substances Control Law. In Taiwan, we have notified all substances in our global product range for the new Taiwan chemical inventory list.

R&D and sustainable development

Among others, our R&D projects continue to be driven by the specific objectives of:

1. reduction in the use of materials that contribute to greenhouse gases;
2. elimination of hazardous air pollutants from our products; and
3. expanded use of bio-based materials in our products.

As such, we are working collaboratively with large global coatings producers to replace rheological additives that contain a high percentage of volatile organic compounds ("VOC"). Our non-VOC alternatives maintain the desired performance and enable a high quality coating. This project is at an advanced stage of implementation.

Additionally, we have pro-actively moved to replace the hazardous air pollutants ("HAP") used in our resin binder products, with non-HAP alternatives. To date we have successfully made this change to more than 50 per cent of our portfolio of resins and will continue this initiative throughout 2011.

We are also working closely with external agencies to speed up our development programmes that expanded our portfolio of bio-based materials. In one effort, our collaboration with a government agency will result in our offering to the cosmetics market, in the very near future, more products derived from renewable plant sources.

Our commitment to these and other environmentally friendly initiatives remains very high.

Biodiversity

Elementis takes care to ensure that its activities do not cause long term damage to the biodiversity in the areas where it has operations. In this regard, the Group has policies and systems in place to ensure full compliance with environmental requirements.

Business relationships

Customers

Each of our business strategies has as its cornerstone superior customer service with a focus on offering competitively priced, high quality products that are supported by strong technical support. Best in class customer service is a critical element in helping our customers be more successful in their competitive markets and in how we differentiate ourselves from competition. In Specialty Products and Surfactants our customer service standards were revised and updated in 2010 to improve our supply chain efficiency and effectiveness and to make it easier for our customers to do business with us. We monitor our performance with metrics such as OTIF (on-time, in full delivery), with business processes that address customer complaints and in capturing the voice of the customer with periodic customer satisfaction surveys. We develop and nurture close customer relationships with our key account business process, through our participation in trade shows and industry forums as well as conducting numerous group workshops, training seminars and hosting collaborative laboratory sessions to work with customers one-on-one. In China alone, we organised seven open and 28 in-house seminars for our customers, hosted four technical conferences and participated in World Expo 2010 in Shanghai, ChinaCoat 2010 (the largest coatings show in the world) and Paint India Show 2010. A similar level of commitment was undertaken in North America and Europe, for example, the business participated in coatings shows held in Las Vegas, Charlotte, Mexico City, São Paulo as well as in Genoa, Dubai and Istanbul, reaching out to existing and new customers in these exciting growing markets.

In terms of quality management systems, all ten of our global manufacturing facilities in the Specialty Products and Surfactants businesses are certified to the ISO 90001 standard. In addition, during 2010, the HSE and quality team implemented the 5S workplace organisation methodology at all sites in Specialty Products and Surfactants. The 5S methodology helps to focus the organisation on effective work place organisation and standardised work procedures by simplifying the work environment, reducing waste and non-value activity while improving quality, efficiency and safety. Our quality systems also utilise statistical process control to ensure product quality and consistency, and to drive process improvements.

Elementis Chromium also has an effective customer service system that supplies high quality products to its customers. The system incorporates many of the elements of ISO 9000 systems. Since the customer base is relatively small, there are frequent interactions between the customers and the commercial services group. These interactions provide the opportunity for resolving minor issues before they become significant. All customer complaints are investigated in a timely fashion, documented and a response given to the customer. Many in the workforce have been trained in statistical techniques and these are utilised where appropriate in monitoring the processes and evaluating the final product specification. Like the Specialty Products and Surfactants businesses, some of our products are customised to meet the specifications and applications of individual customers.

Another area where Elementis Chromium has been working with customers closely for many years is in reducing exposure to workers using our products. To meet environmental regulations on personal exposure limits, the business has devised an intermediate bulk container system, which mechanises the way products are transferred to our customers' systems, and has been helping customers move away from manual handling of small packages to our mechanised bulk transfer system.

Suppliers and supply chain

Our global sourcing team recognises their role in and responsibility for positively influencing our worldwide suppliers to encourage and promote more social responsibility and greater environmental awareness.

The extensive use of strategic sourcing specialists and long term supply relationships have enabled us to develop collaborative partnerships with our suppliers. Our joint efforts have resulted in the expanded use of materials derived from renewable plant sources, for example, our purchase of plant-based materials, which are more sustainable on the environment than animal-based materials or derivatives, have risen by over 150 per cent since 2007 to approximately $7 million in 2010. Plant-based materials are used in the production of coatings additives (castor-based materials) and for use in our consumer business. As we grow this business, we expect our purchase of plant-based materials to increase.

Our supply chain organisation has played a central role in leveraging the benefits of social responsibility and environmental awareness across the global organisation to reach all functions and all geographies. In 2010 we completed an upgrade to our ERP system thus establishing the platform for future initiatives with measurable metrics. To support our work in this area, a Groupwide employee training programme is in place which includes courses on Mutual Respect, Environmental Awareness in Manufacturing and Environmental Stewardship.

During the year the Group implemented a supplier finance facility for our businesses in the UK and Europe, through one of the members of our bank facility syndicate. This supplier facility helps the business to manage its working capital more efficiently and provides participating suppliers with greater flexibility in terms of managing their receivables.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

David Dutro
Group Chief Executive

Brian Taylorson
Finance Director

NON-EXECUTIVE DIRECTORS

Robert Beeston
Chairman

Ian Brindle
Senior Independent Director

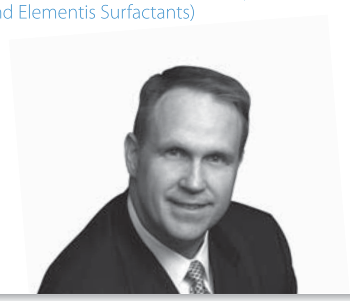
Andrew Christie
Non-executive Director

Chris Girling
Non-executive Director

Kevin Matthews
Non-executive Director

BUSINESS MANAGING DIRECTORS*

Greg McClatchy
President of Elementis Specialties (comprised of Elementis Specialty Products and Elementis Surfactants)



Dennis Valentino
President of Elementis Chromium

COMPANY SECRETARY*

Wai Wong
Company Secretary

* Not members of the Board of directors

David Dutro, age 55
Group Chief Executive
David Dutro joined the Board and was appointed Group Chief Executive in January 2007. He joined Elementis in November 1998 as President of Elementis Pigments then became President and Chief Operating Officer of Elementis Worldwide in October 2005. He was vice president and general manager of Universal Foods' Dairy and Food Ingredient businesses (now Sensient Technologies Corp), and also spent time with ICI in their colours, polymer additives and surfactants businesses. David Dutro was born and educated in the United States and holds a Bachelor of Science degree in marketing.

Brian Taylorson, age 55
Finance Director
Brian Taylorson was appointed Finance Director in April 2002. Before joining Elementis he was head of European chemicals M&A group at KPMG Corporate Finance. He joined KPMG in 2000 from the Dow Chemical Company where he held a number of positions in finance over a period of 17 years.
He holds an MA from Cambridge University, is a member of the Institute of Chartered Accountants in England and Wales and a member of the Association of Corporate Treasurers. He is a non-executive director of Fiberweb plc.

Robert Beeston, age 69
Chairman N
Robert Beeston was appointed non-executive Chairman of Elementis and Chairman of the Nomination Committee in September 2006.
He was non-executive chairman of Cookson Group plc from April 2003 to May 2010 and a non-executive director of D S Smith plc between December 2000 and December 2010, where he was the senior independent director and chairman of the remuneration committee from 2003 to 2009. From 1992 until 2002 he was chief executive officer of FKI plc. He spent 18 years with Dowty Group before joining John Brown Plastics Machinery (UK) Ltd as managing director. In 1985, he was appointed managing director of BTR Valve Group, a position he held for six years before joining FKI plc.

Ian Brindle, age 67
Senior Independent Director A, N
Ian Brindle was appointed a non-executive director and Chairman of the Audit Committee in June 2005. He retired as Chairman of the Audit Committee in April 2008 and was appointed Senior Independent Director. He was senior partner of Price Waterhouse from 1991 to 1998 and UK chairman of PricewaterhouseCoopers until 2001. He was also a member of the Accounting Standards Board between 1992 and 2001 and the deputy chairman of the Financial Reporting Review Panel between 2001 and 2008. He is senior independent director and chairman of the audit committee of Spirent Communications plc, senior independent director also of 4imprint Group plc, a non-executive director of F&C Asset Management plc and non-executive chairman of Sherborne Investors (Guernsey) A Limited.

Key to membership of committees:
A Audit Committee
N Nomination Committee
R Remuneration Committee

Andrew Christie, age 54
Non-executive Director A, N, R
Andrew Christie was appointed a non-executive director in August 2008 and has 25 years of investment banking and international corporate finance experience. He is a partner of Smith Square Partners LLP, a corporate finance advisory firm, and before that was, until March 2008, a UK managing director in the European Investment Banking Group at Credit Suisse. In his prior role at Credit Suisse, he was head of Investment Banking, Asia Pacific, based in Hong Kong and, before that, held the same position with Barclays de Zoete Wedd. He was previously chairman and non-executive director of Ark Therapeutics Group plc and holds an MBA and a Bachelor of Science degree in engineering.

Chris Girling, age 57
Non-executive Director A, N, R
Chris Girling was appointed a non-executive director in April 2005 and Chairman of the Audit Committee in April 2008. He was group finance director of Carillion plc, a construction and support service group, from 1999 to 2007, and previous to that he was finance director of Vosper Thornycroft plc for ten years.
He holds an MBA and is a Fellow of the Institute of Chartered Accountants in England and Wales. He was appointed a non-executive director of Keller Group plc in February 2011, is chairman of the board of trustees of the Slaughter and May pension scheme and a non-executive director of ARCO Limited.

Kevin Matthews, age 47
Non-executive Director A, N, R
Kevin Matthews was appointed a non-executive director in February 2005 and Chairman of the Remuneration Committee in April 2008. He is chief executive officer of Isogenica Limited, a private biotechnology business based in the UK and established in 2000. Prior to that, he was CEO of Oxonica plc, a UK based nanotechnology company, a role he held from April 2001 to September 2009, and previous to that he held roles in Rhodia Consumer Specialties Limited, Albright & Wilson UK Limited and ICI Chemicals and Polymers.
He holds a D.Phil in chemistry.

Greg McClatchy, age 46
President of Elementis Specialties (comprised of Elementis Specialty Products and Elementis Surfactants)▲*
Greg McClatchy was appointed President of Elementis Specialties in January 2007. He joined Elementis Pigments in 1999, served as Managing Director of its Durham UK operations, was appointed President of Specialty Rubber in 2002 and President of Chromium in 2005. He was previously with Universal Foods (now Sensient Technologies Corp) and ICI's polymer additives business. Greg McClatchy completed his undergraduate studies in chemistry and economics at the University of Delaware.

Dennis Valentino, age 58
President of Elementis Chromium▲*
Dennis Valentino re-joined Elementis as President of Elementis Chromium in April 2009. His previous positions at Elementis included Managing Director of Asia Pacific and President of Elementis Pigments until it was sold in August 2007 when he left the Group. Prior to Elementis, he joined Pfizer Pigments in 1975 and held various positions there including director of research and development, vice president of manufacturing and vice president of its North America coatings business. Dennis Valentino completed his undergraduate study in chemical engineering at the University of Missouri – Rolla, and received his Master's in Business Administration from St. Louis University.

Wai Wong, age 38
Company Secretary*
Wai Wong joined Elementis and was appointed Company Secretary in May 2007. He is a Fellow of the Institute of Chartered Secretaries and Administrators ("ICSA"). Prior to joining Elementis, he held a number of senior company secretarial positions including at John Menzies plc, ICSA and PricewaterhouseCoopers. Wai Wong has a Bachelor's degree in commerce and law from Edinburgh University and a Master's degree in corporate and commercial law from London University.

Key
▲ The terms "President" and "Managing Director" are used inter-changeably, although the actual title currently held is "President"
* Not members of the Board of directors

DIRECTORS' REPORT

Report and financial statements
The directors submit their report and the audited financial statements for the year ended 31 December 2010.

Principal activities, business review and future development
For the purposes of this report, the expression "Company" or "Elementis" means Elementis plc and the expression "Group" means the Company and its subsidiaries.

The main activities of the Group are the manufacture and sale of specialty chemicals. The Chairman's statement and the Business review both form part of this report. The Business review, on pages 2 to 23, contains a fair review of, and likely future trends and factors that might affect, the development, performance and position of the Group. A review of the Group's risk management framework as well as principal risks and uncertainties is set out on pages 15 to 17, and policies on financial risk can be found in Note 22 to the Financial Statements on page 66. The Corporate social responsibility report on pages 18 to 23 summarises the Group's policy on business conduct and ethics, and sets out its approach to health and safety, the environment, social responsibility and community matters.

The Group undertakes, on a continuing basis, research and development activities for new products and to improve existing products.

Corporate governance
This Directors' report constitutes the management report for the purposes of the UK Listing Authority's Disclosure and Transparency Rules ("DTR"). In addition, the Corporate governance report on page 30, the Directors' responsibility statement on page 29 and the biographical information on the directors shown on page 25 all form part of this Directors' report for the purposes of the DTR.

Results
The Group profit for the year attributable to equity holders of the parent amounted to \$74.1 million (2009: loss of \$57.4 million).

Dividend
Details about the final dividend for the year are disclosed in the Chairman's statement on page 2.

Directors
The directors of the Company are Robert Beeston, Ian Brindle, Andrew Christie, David Dutro, Chris Girling, Kevin Matthews and Brian Taylorson. All these directors served on the Board throughout the financial year. More information about the directors is provided in the Corporate governance report.

The interests of directors in the share capital of the Company are set out in the Directors' remuneration report.

Re-election of directors
The directors decided during the year that they would adopt early the provisions of the UK Corporate Governance Code concerning the annual re-election of all directors of FTSE 350 companies. At the 2011 Annual General Meeting ("AGM"), all directors will therefore retire and offer themselves for re-election by shareholders.

Employment policies
The Group Chief Executive is the Board member responsible for employee matters and he is assisted by the Vice-President of Global Human Resources. The Group employs HR specialists throughout its worldwide locations to advise on all HR matters including training and development, and various HR performance indicators are maintained in order to monitor and evaluate the effectiveness of employment policies.

Elementis values the diverse backgrounds of all its people and works to create an open atmosphere of trust, honesty and respect. Harassment or discrimination of any kind – including that involving race, colour, religion, gender, age, national origin, citizenship, mental or physical disabilities, sexual orientation, veteran status, or any other similarly protected status – is unacceptable. This principle applies to all aspects of employment, including recruitment, hiring, placement, transfer, promotion, layoff, recall, termination and other terms and conditions of employment. The Group is committed to providing equal employment opportunities for all Elementis people and all applicants for employment, based on individual qualifications and without regard to the factors mentioned above. It is Group policy to comply with all applicable laws governing employment practices and not to discriminate on the basis of any unlawful criteria, and its practices include the prohibition on the use of child or forced labour. Employment policies are fair and equitable and consistent with the skills and abilities of the employee and the needs of the business. Elementis respects the rights of its employees to join a trade union or participate in collective bargaining arrangements and, out of its global workforce, approximately one third of all employees are represented by a trade union or collective agreements.

In terms of how our employment policies are applied to employees who have or acquire a disability, the Group's policy is, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

The Board expects the Group to conduct its operations based on sound ethical practices which are open and free from discrimination and harassment. Further information about the Group's policy on business conduct and ethics is set out in the Corporate social responsibility report.

Employee communications and involvement
It is Group policy to communicate with all employees on major matters to encourage them to take a wider interest in the affairs of their employing company and the Group and to make them aware of the financial and economic factors affecting the Company's performance. This is done in a variety of ways including informal consultations, bulletins and briefing sessions. There are well established procedures, including regular meetings with recognised unions, to ensure that the views of employees are taken into account in making decisions likely to affect their interests. Managers throughout the Group have a responsibility to keep their staff informed of developments and matters of interest. The Company operates savings-related share option schemes allowing UK and US employees an opportunity to become shareholders, details of which are set out in Note 25 to the Financial Statements on page 79.

Going concern

The Group's business activities, together with the factors likely to affect its future performance and development are set out in the Business review on pages 2 to 23. The financial position of the Group and description of the principal risks and uncertainties are set out above in the Finance report on pages 10 to 17. Note 22 details the Group's exposure to credit, liquidity and market risk and its mechanisms for dealing with these risks.

The Group's primary source of funding is a syndicated revolving credit facility which was renewed during the year. The expiring facility for £150 million was replaced with a new four year facility for $200 million on 31 July 2010. At the year end, the Group's net debt was $79.3 million. Compliance with covenants is reported half yearly to the syndicate of banks and involves tests for net debt: EBITDA ratio, interest cover and net worth. No breaches in covenants were reported during the year. Additionally, the Group uses various short and medium term forecasts to monitor anticipated future compliance and has modified the modelling to include worst case scenario planning in order to stress test the assumptions and identify the headroom on the covenant tests.

After evaluating the covenant compliance modelling and the ongoing trading of the businesses, the directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future as going concerns. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Share capital

The Company's share capital consists of ordinary shares, as set out in Note 7 to the Parent Company Financial Statements on page 86. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attached to them, in addition to those conferred on their holders by law, are set out in the Company's articles of association ("the Articles"). Other than those specific provisions set out in the Articles, there are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them. From time to time the Elementis Employee Share Ownership Trust ("Trust") holds shares in the Company for the purposes of various share incentive plans and the rights attaching to them are exercised by independent trustees, who may take into account any recommendation by the Company. As at 31 December 2010 the Trust held 5,578,169 (2009: 4,741,243) ordinary shares of five pence each in the Company. A dividend waiver is in place in respect of all shares held by the Trust.

Directors, Articles and purchase of shares

Rules about the appointment and replacement of directors are set out in the Articles. Changes to the Articles must be approved by shareholders passing a special resolution. The directors' powers are conferred on them by UK legislation and by the Articles. The Board has the power conferred on it by shareholders to purchase its own shares and is seeking renewal of that power at the forthcoming AGM within the limits set out in the Notice of Meeting.

Significant agreements – change of control

Other than as set out in this paragraph, there are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of change of control of the Company. The Company is a guarantor under the Group's $200 million revolving credit facility which runs until 31 July 2014. Under the terms of that facility, in the event of a change of control, any lender among the facility syndicate, of which there are six with commitments ranging from $20 million to $45 million, may withdraw from the facility and that lender's participation in any loans drawn down are required to be repaid.

Under David Dutro's service contract with the Company, compensation is payable to him equivalent to one year's basic salary if he terminates his contract upon a change of control provided that the Company has not first obtained a written agreement to be bound by his service contract from any successor in a change of control. There is no specific change of control provision in Brian Taylorson's service contract with the Company but the provisions on early termination set out on page 35 of the Directors' remuneration report apply and compensation equivalent to one year's basic salary and benefits would be payable if less than 12 months' notice of termination by the Company is given.

The rules of the Company's various share incentive schemes set out the consequences of a change of control of the Company on the rights of the participants under those schemes. Under the rules of the respective schemes, participants will generally be able to exercise their options on a change of control, provided that the relevant performance conditions have been satisfied and, where relevant, options are not exchanged for new options granted by an acquiring company.

Significant relationships

The Group has in place a number of supply contracts for key raw materials that are essential to the business. In Specialty Products, supply contracts are for clays, quaternary amines and other chemical intermediates. The suppliers of these contracts are important and, although we have sought to develop a strategic long term relationship with them, we have taken steps to maintain a sufficiently broad base of suppliers to mitigate any supply chain risks. Specialty Products also owns and operates a hectorite clay mine in California which reduces our reliance on third party suppliers for raw materials. The Surfactants business sources a number of products from a reasonably wide base of third party suppliers for use in the manufacturing of its products. These include supplies for ethylene oxide, propylene oxide, nonylphenol ethoxylate and fatty alcohols. The Chromium division's key raw materials are chrome ore, soda ash and sulphuric acid. Chrome ore is sourced from a number of South African mining companies, while soda ash and sulphuric acid are sourced from suppliers in the US. The business is continually looking for new sources of supplies to broaden its base of suppliers. All businesses purchase energy in the form of natural gas, fuel oil or electricity. It is the Group's practice to enter into agreements with suppliers to lock in the price of at least 50 per cent of its energy costs for each year. Information about individual suppliers is not disclosed as the Board considers that disclosure would be seriously prejudicial to the Group.

As its businesses are reasonably diverse in terms of the customers and sectors they serve, the Group is not dependent on any particular customer and therefore no further information is given. The Group supplies some of its products through approved distributors, who are able to provide or access technical support services, and has a joint venture in China at an organoclay plant and, whilst these relationships are an important part of our business, the Board does not consider any individual relationship to be essential to the Group. The Group values all of its employees and, although some perform roles that are more important to the business than others, the Board does not consider that the Group's success is materially dependent on any single individual. Additionally, the Board has reviewed its management succession plans and is satisfied that the Company's incentive arrangements are appropriate to attract, retain and motivate key people within the organisation.

Substantial shareholders

As at 1 March 2011 the Company had been notified, in accordance with Rule 5 of the Disclosure and Transparency Rules, of the following interests in its issued ordinary capital:

	Ordinary shares	Percentage of issued ordinary share capital
Schroder plc	44,613,178	9.94
Ameriprise Financial, Inc. and its group	24,578,041	5.48
AXA S.A. and its group of companies	22,640,096	5.05
Cazenove Capital Management Limited	22,171,163	4.94
JPMorgan Asset Management Holding Inc.	20,565,772	4.58
Norges Bank	18,501,214	4.12
Legal & General Group plc	17,440,905	3.89

Auditors

A resolution to re-appoint KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming AGM to be held on 21 April 2011.

Each director in office at the date of this Directors' report confirms that (a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and (b) he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Political and charitable donations

During the year the Group donated $56,040 (2009: $36,274) for charitable purposes of which $12,872 (2009: $11,160) was made in the UK. The Group made no political donations during the year (2009: £nil).

Policy on payment of suppliers

The Company's and the Group's policies concerning the payment to suppliers are to agree terms of payment at the start of business with each supplier and to adhere to these, subject to satisfactory performance by the suppliers. The Company and the Group do not follow any code or statement on payment practice. Trade creditors for the Group at 31 December 2010 represented 60 days (2009: 51 days) of annual purchases, adjusted for currency and acquisitions and disposals. The Company has no trade creditors.

Directors' and officers' liability insurance

The Company maintains liability insurance for the directors and officers of the Company and its subsidiaries. In addition, in 2008, the directors of the Company were granted indemnities in respect of any liability or loss that may arise out of or in connection with the execution of their powers, duties and responsibilities as directors of the Company, or of any subsidiary, to the extent permitted under the Companies Act 2006. Copies of these indemnities, which continue to remain in place, are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the AGM.

Directors' conflict of interest

The only director who was in receipt of a conflict authorisation during the year is Brian Taylorson, who is Finance Director and a Trustee of the UK pension scheme. The conflict authorisation enables him to continue to act as a Trustee notwithstanding that this role could give rise to a situation in which there is a conflict of interest. The conflict authorisation was first put in place in October 2008 and is subject to annual review. The Board has reviewed this and has agreed to extend the conflict authorisation for another year. Under the terms of the conflict resolution, reciprocal provisions have been put in place with a view to safeguarding information that is confidential to the Group as well as to the Trustees. Were a conflict of interest to arise, Brian Taylorson is required to excuse himself from reading the relevant pension papers and absent himself from participating in relevant Trustee discussions.

Post balance sheet events

There are no post balance sheet events.

Annual General Meeting

The fourteenth Annual General Meeting of the Company will be held on 21 April 2011. The Notice of Meeting is included in a separate document sent to shareholders.

By order of the Board

Wai Wong

Wai Wong
Company Secretary
1 March 2011

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors, all of whom are shown on page 24, confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors' responsibility statement has been approved by the Board and signed on its behalf by:

Brian Taylorson
Finance Director
1 March 2011

CORPORATE GOVERNANCE REPORT

Corporate governance statement
The Board is committed to maintaining high standards of corporate governance.

The Company has throughout the year ended 31 December 2010 applied fully all the provisions of Section 1 of the Combined Code of Corporate Governance (June 2008) as issued by the Financial Reporting Council (the "Combined Code").

The Board

Composition

The Board consists of a non-executive Chairman, Chief Executive, Finance Director and four non-executive directors. The directors and biographical information about them are shown on page 25. The roles of the Chairman and Chief Executive are separate and clearly defined. Non-executive directors are appointed for an initial term of three years, and all directors are required under the Articles to retire and offer themselves for re-election at least every three years.

During the remainder of 2011, three of our non-executive directors will have their appointment terms up for renewal. For two, it would be re-appointment for a third three year term. Kevin Matthews' term expired on 15 February 2011 and he was re-appointed for a third term. He, like all other directors, will be standing for re-election at the AGM. The Board and the Nomination Committee have discussed the Board's succession plans and all non-executives retiring in 2011 have indicated their willingness to be re-appointed. Following these discussions and its annual performance evaluation, the Board is satisfied that all our directors, both executives and non-executives, contribute effectively and demonstrate appropriate commitment to their role and, therefore, shareholders are asked to support their re-election at the 2011 AGM.

A key factor that determines Board effectiveness is its composition: the mix of knowledge, skills, experience, aptitudes and personalities represented on the Board. The directors consider that the structure and composition of the Board is appropriate to take the Company through to the next stage of its development and there are no further plans for the time being to increase the number of directors on the Board. In coming to this view, the Board has noted the UK Governance Code provisions (applicable in respect of the 2011 reporting year), concerning Board diversity. The Board's policy on the recruitment of directors is to appoint the candidate whose profile best matches the specifications agreed by the Nomination Committee for any particular role. Such specifications tend to reflect objective criteria and may include, for example, knowledge in a specific professional or academic discipline, business function or of the chemical industry. To ensure objectivity and independence, specialist Board level recruitment advisers are usually engaged to help identify candidates who meet these specifications. As part of its medium term succession plans, the Board will continue to follow its policy and ensure that its recruitment advisers take into consideration the requirements on Board diversity.

Board independence

The Board considers all the non-executive directors to be independent in character and judgement. The Board is satisfied that each director exercises independent judgement and believes no individual or group dominates decision making.

Board operation

The Board operates within a framework of controls used to minimise risks and has a formal schedule of matters specifically reserved to it for decision. These include strategic and annual operating plans, the approval of financial statements, acquisitions and disposals, risk management and compliance programmes including insurance arrangements, major non-recurring projects and major capital expenditures. The Board regularly reviews management performance and sets values and standards to ensure that its obligations to shareholders and others are understood and met. It also delegates specific responsibilities with written terms of reference to the Board committees detailed below.

Information of an appropriate quality is issued in a timely manner to assist the Board in performing its duties. New directors receive appropriate induction tailored to their needs. This includes visits to manufacturing facilities and meetings with senior management to assist them in building an understanding of how the Group operates and the issues that it faces. New directors are advised of their legal and other duties and other obligations as directors of a listed company. All members of the Board have access to the advice and services of the company secretary and may take independent professional advice, as appropriate, at the expense of the Company.

The Board holds one of its meetings each year at one of the Group's overseas locations and undertakes site visits when appropriate. In 2010, the Board visited the Chromium facility at Castle Hayne in North Carolina and held its overseas Board meeting in Hightstown, New Jersey. During this trip, directors met with operational and functional managers and business leaders from the Specialty Products and Chromium businesses. The visits involved facility and laboratory tours, informal dinners and more formal business presentations, covering a wide range of topics including: business and Group risks; HSE performance; finance and working capital management; R&D progress; marketing; procurement/supply-chain and operations management; HR activities; legal and compliance matters; and IT challenges. These activities allow the Board to broaden and deepen its knowledge of the business, as well as the issues and risks facing the Group (including social, environmental and governance risks, in addition to commercial, operational and financial risks). Exposure to the tiers of management below Board level helps the directors better understand the talent pool and resources that are available within the Group to develop and grow the business.

Training and development

Directors are encouraged to undertake such activities and training as they consider appropriate to help them carry out their duties. Training can take the form of externally run seminars and conferences on topical areas, such as pensions, investor relations, risk management, executive remuneration or accounting, and the company secretary helps to facilitate this depending on, and in accordance with, each director's needs or interests. Alternatively, training is arranged in-house in the form of presentations by advisers at Board meetings. Such training given during 2010 included: the UK Bribery Act, pensions and corporate governance. Directors are also enrolled onto the Group's online training programme, which includes courses on the Group's Code of Business Conduct and Ethics, and on anti-corruption/bribery compliance. The Audit Committee decided towards the end of 2010 to run a series of refresher briefings for all directors on specific aspects of accounting policy and practice, particularly in areas where judgement is required. These briefings will be incorporated into the Audit Committee's schedule of meetings throughout the year.

Board performance evaluation
The annual evaluation of the Board's performance, including that of its committees and individual directors, was carried out by the Nomination Committee between September and October. The process involved a questionnaire and interviews. The format and areas of focus of the questionnaire, which is designed internally, is updated each year by the company secretary and reviewed by the Chairman, Senior Independent Director and executive directors before the questionnaire is circulated to all directors for completion. The results are returned to the company secretary who collates the responses and prepares a report, on a non-attributable basis, which is distributed to all directors for discussion at the Nomination Committee meeting.

The performance of the Board, its committees, individual directors (executive and non-executive) and the company secretary was considered to be effective. The directors were satisfied with the: amount and quality of the information given by management; priorities, objectives and strategic direction of the Group; and composition and operation of the Board, and the structure and operation of Board committees.

In addition, the Chairman held one-to-one meetings with each director to discuss privately the results of the evaluation exercise as well as the Board's short term priorities. The key themes emerging from the evaluation process were that there was: strong commitment to grow the Specialty Products business; a need to communicate more effectively the investment opportunity to address the Company's low price earnings ratio (relative to its UK specialty chemicals peers); closer interest in the actions identified and taken to mitigate the Group's major risks, particularly those relating to legacy issues, such as the UK pension fund deficit; and better understanding of the resources and talent pool available within the Group to grow the business, particularly within the context of management succession planning.

Towards the end of the year, the Senior Independent Director chaired a meeting of the directors to review the performance of the Chairman without him being present. The conclusion was that the Chairman was very effective in his role in terms of his leadership, the operation and priorities of the Board, and his support and commitment to management and the Company.

In carrying out its annual performance evaluation, the Board noted the UK Governance Code requirement for FTSE 350 companies to have an externally facilitated evaluation at least every three years (applicable in respect of the 2011 reporting year). The Board operates a very open and transparent culture in which directors have many opportunities, both formally at or outside Board meetings and informally at frequently held Board dinners, to raise any concerns (whether about the performance of management or the direction or priorities of the Company). The professional and collegiate working relationship established between executive and non-executive directors allows them to engage in open dialogue and the frank exchange of views. The value of this kind of culture would be difficult to capture or evaluate in the formal ways commonly associated with formal appraisal systems, particularly if they are conducted by an external party. Nevertheless, the Board will be addressing how it could engage external resources in a way that will add value to the existing evaluation process.

Communication with shareholders
The Board has developed a comprehensive programme to ensure that effective communication with shareholders, analysts and the financial press is maintained throughout the year. Through the annual and interim reports, results and other announcements, as well as through presentations to institutional shareholders, investor days and the dissemination of information via the Group's website at www.elementisplc.com, the Board seeks to present the Company's strategy and performance in an objective and balanced manner.

Shareholders attending the AGM are invited to ask questions during the meeting and also to meet the directors after the formal business of the meeting has concluded. The chairmen of the Audit and Remuneration Committees are also available to answer questions from any shareholder at the meeting. Full details of proxy votes cast on each resolution are made available to shareholders at the meeting and are made available on the Company's website after the meeting.

The Board receives regular reports from management on meetings held with shareholders and analysts, feedback from investors on both corporate and management's performance from results roadshows and copies of research notes published by analysts. This ensures that non-executive directors develop a clear understanding of the views of major shareholders. The Chairman and Senior Independent Director are also available for contact by shareholders at any time.

In addition, the Chairman and the chairman of the Remuneration Committee, where appropriate, undertake meetings, from time to time, with major shareholders to update them on any developments in corporate governance matters, or, in the case of executive remuneration, to consult them over remuneration proposals.

Share capital
The information on the structure of the Company's share capital, including any rights or restrictions of shares, required to be made in this Corporate governance report under the Financial Services Authority's Disclosure and Transparency Rules can be found in the Directors' report under the heading "Share capital".

Board committees
The Board has established Audit, Nomination and Remuneration Committees, all with defined terms of reference, modelled closely on those set out in the Combined Code, which are available from the Company Secretary or can be found on the Company's website at www.elementisplc.com.

Audit Committee
The chairman and members of the Audit Committee (the "Committee") during 2010 and their attendance records are shown in the table overleaf.

The Committee has two members with "recent and relevant financial experience" as recommended by the Combined Code. Chris Girling is a chartered accountant and was until April 2007 group finance director of Carillion plc which is a FTSE 250 listed company. Ian Brindle's experience is based on his career with PricewaterhouseCoopers ("PwC") and his previous roles at the Accounting Standards Board and the Financial Reporting Review Panel.

Attendance at Board and Committee meetings during 2010:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Directors as at 31 December 2010:				
Robert Beeston, Chairman	8/8	–	3/3*	–
David Dutro, Group Chief Executive	8/8	–	–	–
Brian Taylorson, Finance Director	8/8	–	–	–
Ian Brindle, Senior Independent Director	8/8	4/4	3/3	–
Andrew Christie	7/8	4/4	2/3	5/5
Chris Girling	8/8	4/4*	3/3	5/5
Kevin Matthews	8/8	4/4	3/3	5/5*

* Denotes chairman of the Committee

A description of the remit and work of the Audit Committee ("Committee")
A full description of the Committee's role is available on the Company's website at: www.elementisplc.com/governance-responsibility. The following is a summary of the Committee's remit:

- monitoring the integrity of the financial statements, accounting policies and financial reporting;
- reviewing the effectiveness of internal control, compliance and risk management systems; and
- overseeing all aspects of the relationship with the internal and external auditors.

The Committee met four times during 2010 and all meetings were also attended by the Chairman of the Company and both executive directors, so that all Board members are kept fully informed on the operation and work of the Committee. The Committee met to review the annual and interim reports and financial statements and also to receive half yearly reports from the internal audit providers, PwC, as well as representations from management. As part of its programme of work, the Committee: reviewed the effectiveness of the internal and external auditors, through meetings and evaluating assessment questionnaires completed by management and key finance staff; approved the scope of work of and fees for both internal and external auditors; and concluded that, owing to the complexity and international nature of the Group's businesses, the internal audit function was best served by continuing to outsource to PwC, given their global expertise and resources. The Committee also considered the Company's business continuity plans during the year, approved updates to the Company's treasury policies and discussed the Group's bribery compliance programme. Under the direction of the Group General Counsel, the Group reviewed its Code of Business Conduct and Ethics, and Anti-Corruption Policy towards the end of last year and, with external support, will be revising these together with its guidelines to ensure that its compliance systems will be fully compatible with the requirements of the UK Bribery Act. The review programme includes ensuring adequate risk assessment controls are in place, revised policies and guidance (including training) is implemented effectively and formal compliance audit and evaluation processes are established.

The Committee keeps under review the objectivity and independence of the external auditors ("KPMG") and the nature and extent of non-audit services they provide. The Company's policy is that any appointment of the external auditors to undertake non-audit work is subject to the approval of the Committee unless it falls below a threshold, in which case the Finance Director has delegated authority from the Committee to approve such appointments. The threshold is that any individual non-audit engagement fee is no greater than 15 per cent of the annual Group audit fee and the total cost of non-audit engagements in the same financial year does not exceed 50 per cent of the annual Group audit fee.

The external auditors were appointed during the year to undertake tax work on behalf of the Group, which included work on transfer pricing, US debt structure, tax compliance and general Group dividend planning. The fees for these services amounted to 70 per cent of the Group's audit fee for 2010. A significant portion of the fees paid to KPMG in respect of non-audit services relate to tax advice and planning, part of which is in connection with an ongoing project to restructure debt in the US operations and part is in response to changes in tax legislation in the UK, US and Netherlands. KPMG's knowledge of the Group's business processes and controls made them best placed to undertake this work cost-effectively on the Group's behalf, which was a key factor in the decision to choose them to carry out this work. In coming to the decision to recommend their re-appointment as external auditors, the Committee considered KPMG's independence and quality control procedures, and concluded that their objectivity was not impaired by having provided non-audit services. Since the year end, KPMG were appointed to undertake some advisory work in relation to our Bribery Act compliance programme.

KPMG were appointed external auditors, after a tender, in respect of the statutory audit for the year ended 30 June 2004. Since then, both UK audit partners and the audit partner in the US have been rotated. During that time, the senior manager in charge of the audit has also changed. These factors, together with KPMG's independence and quality control procedures (and their performance), have led the Committee to conclude that KPMG are effective in their role as external auditors and why there are no plans to carry out a tender in the near future. The Committee does not consider that there are any factors or contracts which exist that restrict its choice of auditors, were it to recommend the appointment of new auditors.

The Committee reviewed its policy on whistleblowing during the year as well as reports on its operation. The Group's whistleblowing policy is supported by a non-retaliation policy and a toll-free, independent third party run "Alert Line" that is accessible by all our employees in their preferred choice of language. All reports are investigated by management and reported to the Committee.

Nomination Committee
The chairman and members of the Nomination Committee (the "Committee") and their attendance records are shown on page 32. The Committee is responsible for:

- reviewing the size and composition of the Board, together with the skills, knowledge and experience of its members and making recommendations for change as necessary;
- carrying out an annual performance evaluation of the Board and its committees and members; and
- succession planning for the Board and leadership team.

The Committee met three times last year to review the results of the Board performance evaluation ("BPE") exercise and consider succession planning matters. Two of these meetings were attended by both executive directors. One meeting was attended by non-executives only, in compliance with the Combined Code. There were no issues of significant concern raised in the BPE exercise, and a description of the evaluation process and results can be found on page 31. There are no current plans to make any changes to the Board's composition.

Remuneration Committee
Details about the Remuneration Committee are set out in the Directors' remuneration report on page 34.

Internal control
The Board has overall responsibility for the Group's system of internal controls and risk management and for reviewing the effectiveness of this system, which includes financial, operational and compliance risks and controls. Such a system can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable, and not absolute, assurance against material mis-statement or loss.

The Board is of the view that an ongoing process for identifying, evaluating and managing significant risks faced by the Group was in place throughout the financial year under review and up to the date that this Annual Report was approved. This process is regularly reviewed by the Board and accords with the Financial Reporting Council's "Turnbull" and "Smith" guidance, as amended, on internal control.

The key features of the Group's internal control system are:

Control environment
A key factor in the Group's approach to internal control is the recognition of the need for risk awareness and the ownership of risk management by executives at all levels.

The Group has policies and procedures that set out the responsibilities of divisional management, including authority levels, reporting disciplines and responsibility for risk management and internal control. Certain activities, including treasury, taxation, insurance, pension and legal matters are controlled centrally with reports reviewed by the Board as appropriate. Site level policies and procedures are set by divisional management as appropriate to the needs of each business unit.

Risk identification and review
Key identified risks, both financial and non-financial, are reviewed by the Board as well as by divisional management on an ongoing basis, which is supported by the work of the Audit Committee and the internal audit service, which is provided by PwC. A formal annual review of risks and controls is carried out by both the management team and the Board, and includes presentations from senior managers. A fuller description of the risk management systems can be found on page 15.

The management team, which comprises the executive directors, divisional managing directors and functional business leaders, meets on a regular basis to review each division's and the Group's performance, strategy and risk management. Their work is supported by a central risk management unit, under the direction of the company secretary, whose terms of reference include supporting corporate governance requirements, recommending business risk strategy and developing policies and procedures for risk management and internal controls. PwC's work covers the monitoring of the effectiveness of internal controls and the design of processes to test the effectiveness of controls.

At operating level, all divisions are required to have processes to identify risks and, so far as possible, take action to reduce those risks. In addition annual compliance statements on internal control are certified by each operating division.

Financial reporting
There is a comprehensive Groupwide system of financial reporting, based on the JDE and HFM consolidation software platforms. The Board reviews at each of its meetings reports from the Chief Executive and the Finance Director, as well as full management accounts, comprising monthly and year to date profit and loss statements, cash flows and balance sheet, with segmental and individual business performance analyses. In addition, capital expenditure and relevant performance indicators are reported. Actual monthly results are monitored against budget, forecasts and the previous year's results. Any significant variances are investigated and acted upon as appropriate. As well as monthly management accounts, each operating division prepares an annual and a three year operating plan which is approved by the Board. Thereafter a formal re-forecasting exercise is undertaken three times a year.

The Committee considers that the Group's systems of internal control and risk management, particularly in this context in relation to the financial reporting process, are robust and effective. The Committee is responsible for ensuring the integrity of the Group's financial statements and other communications to the market about trading performance relative to market forecasts. The Committee approves and keeps under review significant accounting policies, particularly in areas where judgements and estimates are made.

Investment appraisal
There are clearly defined investment guidelines for capital expenditure. All investment expenditure is subject to formal authorisation procedures, with major proposals being considered by the Board.

Audit Committee
The Audit Committee plays a critical role within the Company's system of internal control and risk management and a full description of its work is given on page 32.

A separate description of the Group's risk management system is set out in the Business review on page 15.

By order of the Board

Wai Wong
Company Secretary
1 March 2011

Remuneration Committee
The Remuneration Committee (the "Committee") is chaired by Kevin Matthews. The Committee determines the remuneration of the Chairman and the executive directors, and recommends and monitors the structure and level of remuneration for senior executives.

Following a comprehensive review of the Company's annual bonus scheme and long term incentive plan that was reported in last year's remuneration report and implemented during 2010, the Committee reviewed its policy on basic salary and salary reviews and made changes that apply from 2011. The Committee considers that these three essential elements of executive remuneration (basic salary, annual bonus scheme and long term share incentive) are appropriately designed to incentivise the executive team to deliver sustainable results. The performance targets are aligned to the Group's longer term strategy and with shareholders' interests, as well as reflecting the risk appetite of the Board.

The Committee met five times last year and its members and their attendance records are shown on page 32. Members of the Committee have no personal financial interest other than as shareholders in the matters to be decided and no day-to-day involvement in the running of the business of the Group.

Advisers to the Committee
The Vice-President of Global Human Resources is the internal adviser to the Committee and provides information and advice to facilitate discussion and decision making on remuneration matters. He also provides the Company and its subsidiaries with services which include the setting of employment policies, recruitment of senior managers and overall responsibility for all major issues involving human resources.

The Committee's external advisers are Hewitt New Bridge Street ("HNBS") who were appointed after a tender in 2008. As reported in last year's report, HNBS provided guidance to the Committee in its review of the short and long term incentive plans in the earlier part of 2010, particularly in relation to current market trends in structure and performance metrics. They also carried out a benchmarking study of executive and non-executive remuneration for reference by the Committee and Board towards the end of the year. The Committee is satisfied that there is no over-reliance on HNBS, who have no connection with the Company other than as remuneration advisers.

Annual General Meeting ("AGM")
A resolution to approve this report will be tabled at the AGM and the chairman of the Committee will be available to answer questions from shareholders on the decisions of the Committee.

Remuneration policy and practice
The policy of the Committee is to set remuneration at a level which is competitive with that of comparable businesses, enabling the Company to attract and retain people with relevant ability, experience and skills. To ensure that executive directors align their interests with those of shareholders, a substantial proportion of the overall remuneration package is linked to corporate performance through participation in short term and long term incentive schemes. Details of how these schemes were operated during 2010 and how they will operate in 2011 are described later in this report.

The Committee does not include targets for corporate performance on environmental, social and corporate governance issues when considering the remuneration of executive directors. The safety and environmental performance of Group businesses is accorded high importance and the Committee considers that management should aspire to achieving high standards in both safety and environmental performance without the need for incentives. Corporate governance standards are set by the Board as a whole.

Salaries, fees and benefits
Salaries for executive directors are determined by the Committee, which revised its policy on salary reviews towards the end of 2010. This followed changes that were made to the annual bonus and long term incentive schemes early in 2010, which were approved at last year's AGM. The Committee is aware of the over reliance upon benchmarking which may lead to a ratchet of pay and has therefore adopted a policy that there should be a formal salary review for executive directors every three years, where benchmarking analysis would be utilised for reference purposes, taking into consideration the following factors: corporate performance; the performance of the executive; market practice; and changes in responsibility, complexity and size of role over the previous three year period. In between formal reviews, the policy is that executive directors should receive an annual salary increase equivalent to the average local workforce. This annual inflationary increase would still have to be approved by the Committee, taking into consideration whether the performance of the executive director merits the award. This policy, however, is subject to the structure of the business or role of the executive director remaining substantively unchanged and, when this is not the case, the Committee has the discretion to conduct a formal review (with or without benchmarking) whenever it considers appropriate.

Since his appointment as Group Chief Executive, the salary paid to David Dutro has been below the US market rate and the Committee, in accordance with its policies, has maintained its intention to increase salary towards the median subject to performance and experience. In accordance with this intention and following the adoption of the new three year review policy in December, the Committee approved an eight per cent pay increase to David Dutro. This reflected his performance and leadership over the past few years resulting in a record financial performance in 2010. The Committee believes that the choice of US benchmark group is appropriate given that David Dutro is based in the US and a US national. The Committee takes into account levels paid within a peer group of 17 US chemical companies with a similar level of turnover and market capitalisation. For reference, consideration is also given to UK companies with a similar level of turnover and market capitalisation.

The Committee approved a pay increase to Brian Taylorson of three per cent, after taking into consideration his performance, the requirements of his role as Group Finance Director and the results of benchmarking studies. The increase is similar to the average awarded to the general workforce in the UK.

The Committee and Board are fully supportive of these pay increases (both effective from 1 January 2011), which were considered to be fully justified on merit and performance.

The Committee confirms that it is its policy to consider the pay and employment conditions of employees elsewhere in the Group when determining the level of salaries of, and pay increases awarded to, executive directors. This is demonstrated in the new policy on executive director pay reviews in which the maximum annual pay award, other than in exceptional circumstances or a formal three yearly review, is similar to general workforce pay inflation in the US and UK. The average pay award to US and UK employees in 2010 were 3 per cent and 3.5 per cent respectively. The next formal review of salaries for the executive directors, under normal circumstances, will be in December 2013.

Executive directors also receive benefits, which relate to the provision of a car, life assurance and medical cover. Additionally, as is standard in the US, David Dutro receives benefits covering dental costs, accidental death and disablement, and long term disability. These benefits are generally considered to be standard for managerial staff and are provided to them, with variances depending on country or local market practice. Information about pension benefits and share incentive schemes is provided further below.

Fees for non-executive directors are determined by the Chairman and the executive directors, having regard to fees paid to non-executive directors in other UK quoted companies, the time commitment and responsibilities of the role. The level of fees has not been increased since 2005 and, following a recent review, the basic fee was increased from £35,000 per annum to £40,000 per annum. The Chairman's fee is determined by the Committee and was also reviewed during the year. The level of fees for the Chairman has remained unchanged since 2006 and was increased from £120,000 per annum to £137,150 per annum. Both sets of fee increases were made with reference to the results of benchmarking analysis, as well as to the average annual increase awarded to employees in the Group, and are effective from January 2011. These fees will not be reviewed again until December 2013. The Company considers the revised fee levels to be appropriate for the performance and contribution of our non-executive directors (including the Chairman), their time commitment and the responsibilities of the role. No share options are held by non-executive directors and individuals cannot vote on their own remuneration.

Service contracts

It is the Company's policy that executive directors should have service contracts with the Company that contain a termination notice period not exceeding 12 months, as is the case with the service agreements of David Dutro and Brian Taylorson.

Termination payments in relation to departing executive directors are not agreed in advance and are determined in accordance with the directors' contractual rights. It is the Committee's policy to ensure that a director's duty to mitigate his loss is taken into account in the calculation of any termination payments.

The total amount that would be payable to David Dutro for early termination by the Company of his service agreement is between 50 per cent and 100 per cent of the aggregate of (i) his basic annual salary and (ii) any bonus which he may be eligible to receive. The total amount that would be payable to Brian Taylorson for early termination by the Company of his service agreement is between 50 per cent and 100 per cent of the aggregate of (i) his basic annual salary, (ii) the sums that would have become payable to him or on his behalf, had 12 months' notice of termination been given, by way of pension accruals and any pension cash salary supplement, (iii) the cost of providing private medical insurance for him, his spouse and children aged under 21 for the 12 months following termination, and (iv) his monthly car allowance for a 12 month period.

The above terms for both executive directors were agreed at the time the contracts were made and the Committee is aware that governance guidelines ask remuneration committees generally to commit to a policy that precludes the inclusion of any payment (benefits or bonus) other than basic salary in the calculation of termination payments. As stated above, the Committee's position is to ensure a director mitigates his/her loss, but the Committee does not consider that it would be in the best interests of the Company, or likely to promote its success, to adopt a policy in public that might otherwise restrict its flexibility in future contract negotiations.

The non-executive directors during the year held letters of appointment with the Company as follows:

Name	Date of appointment	Date of re-appointment	Date of expiry
R Beeston	21/09/06	21/09/09	20/09/12
I Brindle	06/06/05	06/06/08	05/06/11
A Christie	11/08/08	n/a	10/08/11
C Girling	29/04/05	29/04/08	28/04/11
K Matthews	16/02/05	16/02/08	15/02/11

Each letter provides that the director's appointment can be terminated by the Company on six months' notice on any grounds without claim for compensation. Copies of all letters of appointment of non-executive directors, as well as the executive directors' service contracts, are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the AGM.

The directors whose term of appointment shown above as expiring during 2011 have indicated their willingness to be re-appointed and it is the Board's intention, subject to all directors being re-elected at the AGM, to renew their appointments for a further three years. Kevin Matthews was re-appointed by the Board on 16 February 2011.

Short term incentive arrangements

Annual Bonus Scheme

The structure of the annual bonus scheme ("Bonus scheme") for executive directors and business managing directors was changed during 2010, as presented in last year's annual report, and the key features (which will continue to operate in 2011) are:

- maximum bonus opportunity of one times basic salary; and
- two performance conditions: earnings per share ("EPS") and average trade working capital to sales ratio expressed as a percentage ("AWC") (split 50:50 – for business managing directors, the measures are divisional operating profit and AWC).

The EPS/operating profit and AWC conditions were selected because they are considered to be the most appropriate measures of the Group's strategic and financial performance, and targets are set at levels which the Committee considers to be appropriately challenging (taking into consideration the Company's operating and strategic plans, and assumptions about global macroeconomic conditions). EPS targets are set to ensure that maximum bonuses are only payable for exceeding market expectations. As reported in last year's remuneration report, the Committee considered remuneration guidelines relating to bonus deferral and claw-back provisions and factored this into its thinking when it made changes to the structure and design of the annual bonus scheme and long term incentive plan that were approved by shareholders in 2010. While there is no claw-back provision implemented, the combination of the annual and long term incentives ensures that the executive directors are incentivised to deliver short term results that are appropriately aligned with the long term strategy and risk appetite of the Board.

Performance targets

2010 annual bonus scheme

The EPS targets set at Threshold, Plan and Stretch levels were 4.2 pence, 4.3 pence and 4.8 pence, which were equivalent to an increase over the 2009 result of 50 per cent, 54 per cent and 71 per cent respectively. The corresponding rates of bonus accrual at these points were 0 per cent at Threshold, 25 per cent at Plan and 50 per cent at Stretch (straight line in between). The EPS targets that were set in 2010 reflected uncertainty regarding the rate of economic recovery, particularly given the low base of earnings in 2009, all of which was explained in the 2009 remuneration report. Going forward, the growth rate will reflect more normal trading conditions.

The AWC targets set at Threshold, Plan and Stretch levels were 23.9 per cent, 23.4 per cent and 22.9 per cent, with bonus accruing at 0 per cent at Threshold, 25 per cent at Plan and 50 per cent at Stretch (straight line in between).

The bonus targets for the business managing directors are based on divisional performance at a level that is consistent with and equivalent to those for the executive directors in terms of the level of challenge. To achieve the maximum of 100 per cent of base pay, EPS and AWC performance would both have to be at Stretch level.

Based upon the performance of the Group and its operating divisions in 2010, both the executive directors and business managing directors will each receive the maximum bonus allowed under the annual bonus scheme, equivalent to 100 per cent of their respective base salaries. All bonuses, as in previous years, are not pensionable.

2011 annual bonus scheme

EPS targets have been set at Threshold, Plan and Stretch levels, with the rate of bonus accrual fixed at 0 per cent at Threshold and 50 per cent at Stretch (straight line accrual in between). The Threshold target has been set at the 2010 result (15.2 cents), but as the targets at Plan and Stretch are considered to be commercially sensitive and prejudicial if disclosed, those targets will be disclosed retrospectively in the remuneration report for the year ending 2011.

The structure and accrual scale in respect of the AWC condition is the same as in 2010 and, also due to reasons of commercial sensitivity, will be disclosed in next year's remuneration report.

Long term incentive arrangements

2003 Executive Share Option Scheme

The Company has since 1998 operated an approved and unapproved, discretionary executive share option scheme for executive directors and other senior and middle managers in the Group. The current 2003 scheme replaced the 1998 scheme and, up until 2008, executive directors received option grants under the 2003 scheme. Since then, executive directors and both business managing directors have received awards under the 2008 and 2010 Long term incentive plans, although other senior and middle managers continue to receive grants under the 2003 scheme.

The key features of the 2003 scheme are as follows:

- Options are granted to purchase shares in the Company at an exercise price per share based on the Company's mid-market closing share price on the dealing day preceding the date of grant;
- Options, under normal circumstances, are capable of exercise after three years and within ten years of the date of grant;
- The value of options valued at the date of grant for any single individual will not normally exceed 1.5 times basic salary in any financial year; and
- Options are subject to performance conditions.

Options granted between 2003 and 2007 to executive directors and other senior managers were based partly on the Company's EPS growth relative to inflation and partly on the Company's total shareholder return ("TSR") relative to an index of comparator companies. The performance conditions attached to the options granted to executives in 2008 were based on EPS targets only, in 2009 on TSR only, relative to the comparator companies listed overleaf, and in 2010 on EPS and TSR targets, but the latter relative to the FTSE All Share index (excluding investment trusts).

The comparator companies for the purposes of grants made between 2003 to 2007 and in 2009 were as follows:

FTSE All Share Chemicals	Croda International Plc Porvair plc Yule Catto & Co plc
FTSE Eurotop 300 Chemicals	Akzo Nobel NV DSM NV
Switzerland: Specialty Chemicals	Lonza Group AG
S&P 400 Specialty Chemicals	Ferro Corp HB Fuller Co Dow Chemical Company Minerals Technologies Inc Arch Chemicals Inc Quaker Chemical Corp
France: Chemicals	Rhodia SA

Companies that have been acquired or merged or de-listed are removed from the comparator group.

The following targets applied to options granted to executive directors and other senior managers prior to 2008:

Proportion of option grant as a percentage of base salary	EPS/TSR split	Performance criteria to be met for options to be exercisable
0% to 70%	50% EPS	– Annual average EPS growth of RPI + 4%
	50% TSR	– TSR at median
70.1% to 150%	50% EPS	– Annual average EPS growth of between RPI + 4% and RPI +10% (straight line vesting)
	50% TSR	– Median to upper quartile (straight line vesting)

The EPS performance condition and TSR condition apply separately to options granted under the 2003 scheme. Options granted since 2006 are not permitted any re-test and lapse immediately if the performance conditions attaching are not satisfied.

The Company's policy on granting options is that no individual has an absolute right of participation and that all grants are made at the discretion of the Committee under delegated authority from the Board. Participants are nominated by business and functional heads and recommended to the Committee for approval by the Chief Executive. The level of grants are relative to the base salary of the participants (ordinarily set at 20 per cent, 35 per cent and 60 per cent), commensurate with seniority in terms of managerial grade and the individual's ability to influence corporate performance. One senior executive received a grant of options in 2010 at the level of 150 per cent of his basic salary and another at 60 per cent of his base salary. Altogether, 52 employees throughout the Group received a grant of options in 2010 (2009: 48). This number excludes both executive directors and the two business managing directors.

The following targets applied to options granted to executives and other senior managers (excluding the executive directors and business managing directors) between 2008 and 2010:

Proportion of option grant as a percentage of base salary	EPS/TSR split	Performance criteria to be met for options to be exercisable
2008 0% to 60%	100% EPS	– 50% vesting if annual average EPS growth is RPI + 4% and another 50% if RPI + 5% (straight line vesting in between)
	0% TSR	– No TSR condition
2009 0% to 60%	0% EPS	– No EPS condition
	100% TSR	– 25% vesting for TSR at median and 100% for upper quartile performance (straight line vesting in between)
2010 0% to 150%	50% EPS	– 25% and 100% vesting if EPS for the financial year ending December 2012 is 6.5 pence and 7.5 pence, respectively, with straight line vesting in between
	50% TSR	– 25% and 100% vesting for median and upper quartile performance, respectively, with straight line vesting in between

2008 Long Term Incentive Plan ("2008 LTIP")

The 2008 LTIP was adopted by shareholders at the 2008 AGM and the following awards were made in that year: David Dutro 25 per cent of the LTIP pool, Brian Taylorson 20 per cent of LTIP pool, Greg McClatchy, Managing Director of Specialty Products and Surfactants, 20 per cent and Eric Haaijer, then Managing Director of Chromium, 12 per cent, leaving 23 per cent of the LTIP pool unawarded. The value of the 2008 LTIP pool (in £'millions) is calculated by taking 2.15 per cent of the increase in the value of the Company (measured by share price growth over the three year performance period plus all dividends paid or declared during that period) less 9.3 per cent per annum (representing the cost of equity which is the minimum growth threshold). The 2008 LTIP awards are in the form of nil cost options over shares in the Company equal to the value of each participant's share of the LTIP pool. These awards were granted on 28 April 2008 when the market value of a share was 66.5 pence. The awards vest after three years from the date of grant and are subject to the cost of equity performance condition described above. Eric Haaijer's award lapsed when he left the Group in March 2009.

The performance condition will be tested in April 2011 and, if it is not met, the awards will lapse. However, as a result of the Company's recent share price performance, these awards are expected to vest. For illustrative purposes only, based on a market value of a share of 143 pence (at 31 December 2010), the LTIP pool would be valued at around £6.2 million, of which £4 million is subject to awards, equivalent to options over approximately 2.8 million shares, to be shared by the three award holders in the proportion stated above.

2010 Long Term Incentive Plan ("2010 LTIP")

The rules of the 2008 LTIP were amended last year (hence 2010 LTIP or "Plan") to enable annual grants of nil cost options, or conditional share awards, to be made by the Committee under delegated authority from the Board. The operation of the Plan is similar to the 2003 executive option scheme in that awards are made subject to performance conditions and they may vest, in the case of share awards, or become exercisable, in the case of options, after three years and within ten years of the date of award or grant. The maximum value of any award or grant under the Plan to any individual is equivalent to a value determined by reference to the following formula: one times the individual's own base salary at the time of award plus up to 50 per cent of the Chief Executive's basic salary. In the case of the Chief Executive, the maximum value of any annual award or grant is limited to 1.5 times his own base salary. The formula was implemented to ensure that individuals were not negatively impacted by the reduction in the annual bonus scheme made in 2010. A detailed explanation was provided in the 2009 remuneration report.

The Chief Executive, Finance Director and both business managing directors received grants of nil cost options over shares in 2010 that were subject to EPS and TSR performance conditions as follows:

EPS/TSR split	Performance criteria to be met for options to be exercisable
50% EPS	– 0% and 100% vesting if EPS for the financial year ending December 2012 is 6.5 pence and 7.5 pence, respectively, with straight line vesting in between
50% TSR	– 3.85% and 100% vesting for median and upper quartile performance, respectively, with straight line vesting in between

The TSR condition will be measured against the companies comprising the FTSE All Share Index (excluding investment trusts).

Proposed awards in 2011

No change has been made to the structure or operation of the scheme for grants that will be made in 2011, except that to address any remaining concerns over the formula used to determine the value of options to be granted (i.e. that participants other than the Chief Executive could potentially benefit from pay increases awarded to the Chief Executive), the Committee has agreed that the maximum value of options to be granted to these participants would be limited to one times their own basic salary plus up to 50 per cent of the Chief Executive's 2010 base salary (the latter revalued each year by the same pay increase award that each participant received, if any, on their own base salary). Senior executives who participate in the 2010 LTIP would not also participate in any other discretionary share incentive scheme.

The grant of nil cost options to be made in 2011 will be subject to EPS and TSR performance conditions as follows:

EPS/TSR split	Performance criteria to be met for options to be exercisable
50% EPS	– 0% and 100% vesting if annual average EPS growth is RPI + 4% and RPI + 10%, respectively, with straight line vesting in between
50% TSR	– 3.85% and 100% vesting for median and upper quartile performance, respectively, with straight line vesting in between

The Committee considers that the EPS targets that will apply to the 2011 grants are appropriate after taking into consideration the Company's strategic and operating plans. The EPS targets that were set in 2010, which reflected a growth over 2009 result of 132 per cent at threshold level and 168 per cent at stretch, reflected difficult conditions at the time, particularly given the low base of earnings in 2009, all of which was explained in the 2009 remuneration report. Going forward, the Committee considers that targeting EPS growth over a three year performance period to exceed RPI + an average of four per cent to ten per cent per annum is appropriately challenging.

The TSR condition, as for the 2010 grants, will be measured against the companies comprising the FTSE All Share Index (excluding investment trusts). The Index was selected since it provides a better indication of relative performance rather than the FTSE 250 Index which is heavily weighted towards cyclical sectors.

The costs of operating all of the Company's share incentive schemes and the total number of options outstanding as at the year end are disclosed in Note 25 to the Financial Statements on pages 79 and 80. Elementis share plans comply with the current ABI guidelines on headroom which provides that overall dilution under all plans should not exceed ten per cent over any ten year period in relation to the Company's issued share capital, with a further limitation of five per cent in any ten year period on discretionary plans. Based on the number of awards that remain outstanding as at the year end and having included all exercised awards and awards that have lapsed, the Company has utilised 6.4 per cent of the ten per cent in ten year limit and 3.9 per cent of the five per cent in ten year limit.

Share ownership guidelines

Shareholding guidelines introduced previously required executive directors to build up a stake in the Company over a period of time that is equal in value to one times their basic annual salaries. Brian Taylorson, who has been Finance Director since 2002, is considered to have met this requirement. David Dutro, who was appointed to the Board as Group Chief Executive in January 2007, is also expected to build up a shareholding equal to his annual basic salary. The 2008 LTIP award contained a requirement that a proportion of the awards which vest must be retained as shares by the executive directors in order to build up the required shareholding under the Share ownership guidelines.

Savings-Related Share Option Schemes

Under the 2008 UK savings-related share option scheme ("UK SAYE Scheme"), all eligible UK employees, including executive directors, can enter into savings contracts with a bank or building society for a period of three or five years and use the proceeds from their savings accounts to acquire shares in the Company on the exercise of their options. The option price at which options may be exercised is the average market price over the five working days preceding the invitation date discounted by a maximum of 20 per cent.

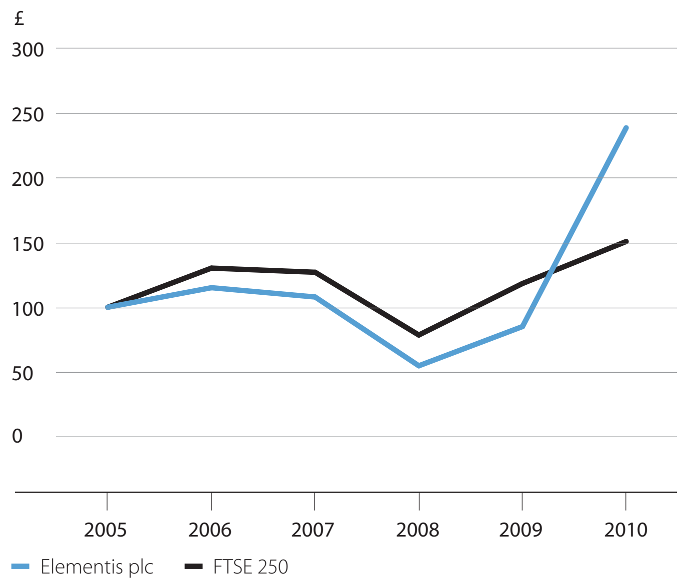
Options granted to executive directors under the UK SAYE Scheme are not subject to performance conditions, as it is a HM Revenue & Customs' approved all-employee scheme, which does not allow for the imposition of performance conditions on the exercise of options. A similar scheme was also adopted in 2008 for the benefit of US based employees, including executive directors, and the savings period is typically 24 months, with an option price discounted by a maximum of 15 per cent ("US Scheme").

The 2008 UK SAYE and US Schemes replaced previous schemes, which have expired, that contained substantially the same provisions as the current schemes. However, subject to the rules of the now expired schemes, certain awards continue to remain exercisable.

Total shareholder return performance

The following graph illustrates the Company's total shareholder return for the five years ending 31 December 2010, relative to the FTSE 250 Index.

As the Company's shares are denominated and listed in pence, the graph below looks at the total return, to the end of 2010, of £100 invested in Elementis on 31 December 2005 compared with that of the total return of £100 invested in the FTSE 250 Index. This index was selected for the purpose of providing a relative comparison of performance because the Company became a member of it in 2010.



Directors' remuneration table
Although the Company reports its results in US dollars, the remainder of this report on remuneration is presented in pounds sterling because the majority of the directors are UK based and paid in pounds sterling.

Directors' emoluments for the year ended 31 December 2010 were:

	Date of appointment[1]	Salary/fees 2010 £'000	Salary/fees 2009 £'000	Benefits[2] 2010 £'000	Benefits[2] 2009 £'000	Bonus 2010 £'000	Bonus 2009 £'000	Total excluding pensions 2010 £'000	Total excluding pensions 2009 £'000
Chairman									
Robert Beeston	22.04.10	120	120	–	–	–	–	120	120
Executive directors									
David Dutro[3]	17.01.07	432	419	24	24	454	–	910	443
Brian Taylorson[4][5]	02.04.02	292	283	17	16	297	–	606	299
Non-executive directors									
Ian Brindle	16.04.09	40	40	–	–	–	–	40	40
Andrew Christie	16.04.09	35	35	–	–	–	–	35	35
Chris Girling	16.04.09	40	40	–	–	–	–	40	40
Kevin Matthews	16.02.11	40	40	–	–	–	–	40	40
		999	977	41	40	751	–	1,791	1,017

Each non-executive director receives a basic fee of £35,000 per annum plus an additional £5,000 should he chair a Board committee. Ian Brindle as Senior Independent Director receives an additional £5,000 per annum. The basic fee was increased to £40,000 per annum from January 2011; other additional fees remain unchanged. The Chairman's fee was also increased to £137,150 per annum from January 2011.

Notes:
1 For executive directors, this is their date of appointment and for non-executive directors, the later of the date of appointment, re-appointment or latest date of re-election to the Board.
2 The benefit package mainly comprises of a car allowance or company car, life assurance and medical cover.
3 David Dutro as Group Chief Executive, who is based and devotes most of his time in the US and receives his salary in US dollars, received a salary of $669,500 per annum (2009: $650,000 per annum). His emoluments exclude salary supplements paid as compensation for the closing to future accruals of the US defined benefit scheme – see below. His basic salary in 2011 was increased by eight per cent.
4 Emoluments for Brian Taylorson also exclude salary supplements paid as compensation for the limitation of pension rights to the former HM Revenue and Customs' earnings cap. These are shown in the Directors' retirement benefits table overleaf. His basic salary in 2011 was increased by three per cent.
5 The Company has released Brian Taylorson to serve on the Board of Fiberweb plc and fees of £32,000 (2009: £32,000) were paid to him during the year, which he retained.

Retirement benefits
David Dutro, as a US salaried executive director, participated in the Elementis Career Reward Retirement Plan ("ECRRP") for US employees until the plan was closed to future accruals in May 2006. The ECRRP is a cash balance retirement plan, which falls under the category of defined benefit pension plans in the US. As the plan is closed to future accruals, participants' account balances are no longer credited with contributions, however, interest is credited each year at the US Treasury 30 year bond rate. David Dutro's accrued benefits under this plan are shown in the table overleaf. The normal pensionable retirement age for David Dutro under the ECRRP is 65.

The ECRRP was replaced by a US 401(k) Plan, which is similar to a money purchase scheme, and a Non-Qualified Deferred Compensation Plan. Employer contributions in respect of David Dutro under these plans in 2010 were £34,988 (2009: £49,316) in total. The amount paid can vary from year to year as it is based on matching employee contributions up to about 6.0 per cent of their total remuneration each year.

Brian Taylorson, as a UK salaried executive director, participates in the Company's HM Revenue & Customs' approved funded occupational pension scheme, and he is subject to the former HM Revenue & Customs' earnings cap on the amount of salary which may be treated as pensionable.

The main benefits under this scheme to him as a UK salaried executive director, who contributes a percentage of his salary to the scheme each year, are:

- an accrual rate of 1/30th for each year of pensionable service;
- life assurance cover of four times pensionable salary; and
- pensions to spouse and dependent children payable on death.

The normal pensionable retirement age for Brian Taylorson is 60.

Transfer values for David Dutro and Brian Taylorson in the table below have been calculated on the basis of actuarial advice in accordance with the UK Institute of Actuaries' guidance note GN11. The transfer value of the increase in accrued benefits discloses the current value of the increase in accrued benefits that the director has earned in the year, whereas the increase in transfer value less directors' contributions discloses the absolute change in transfer value and includes the change in value of the accrued benefits resulting from market volatility affecting the transfer value at the start of the year as well as the additional value earned in the year.

Non-executive directors are not entitled to retirement benefits.

Directors' retirement benefits table

	Salary supplements 2010 £'000	Salary supplements 2009 £'000	Accrued benefits 31.12.10 £'000	Increase in accrued benefits 2010 £'000	Transfer value of increases in accrued benefits 2010 £'000	Total transfer value at 01.01.10 £'000	Total transfer value at 31.12.10 £'000	Increase in transfer value less directors' contributions 2010 £'000	Increase in accrued benefits (including inflation) 2010 £'000
Executive									
David Dutro	86	103	9	–	–	61	64	3	–
Brian Taylorson	125	104	37	3	54	850	947	91	6

Directors' shareholdings

As at 31 December 2010 the interests of the persons who were then directors in the issued shares of the Company (excluding any interests under the Group's employee share schemes) were:

	Ordinary shares 31.12.10	Ordinary shares 31.12.09
Robert Beeston	50,000	50,000
Ian Brindle	31,172	31,172
Andrew Christie	10,000	10,000
David Dutro	37,695	35,845
Chris Girling	5,000	5,000
Kevin Matthews	11,633	11,633
Brian Taylorson	381,096	456,597

David Dutro retained 1,850 (2009: n/a) shares following the exercise of 1,850 (2009: n/a) savings-based share options in 2010. Brian Taylorson's interests decreased during 2010 when his daughter, a connected person who held the shares in her name beneficially, sold 75,501 (2009: n/a) shares.

As at 1 March 2011 the Trustee of the Company's Employee Share Ownership Trust ("ESOT") held 5,578,169 (2009: 4,741,243) shares and, as executive directors, David Dutro and Brian Taylorson, as potential beneficiaries under the ESOT, are deemed to have an interest in any shares that become held in the ESOT.

As at 1 March 2011 no person who was then a director had any interest in any derivative or other financial instrument relating to the Company's shares and, so far as the Company is aware, none of their connected persons had such an interest. Between 31 December 2010 and 1 March 2011 there was no change in the relevant interests of any such directors nor, so far as the Company is aware, in the relevant interests of any of their connected persons.

Directors' share options

	Option type	01.01.10	Granted during 2010	Exercised during 2010	Lapsed during 2010	31.12.10	Option price (p)	Earliest exercise date	Expiry date	Price on exercise (p)	Gain on exercise (£)
David Dutro	A	1,850	–	1,850	–	–	72.3	26.08.2010	26.11.2010	95.7	434
	A	13,942	–	–	–	13,942	42.5	27.08.2011	27.11.2011	–	–
	A	–	32,351	–	–	32,351	76.7	27.08.2012	27.11.2012	–	–
	B	197,133	–	–	–	197,133	51.3	30.03.2008	30.03.2015	–	–
	B	250,000	–	–	–	250,000	64.5	02.11.2008	02.11.2015	–	–
	B	193,844	–	–	–	193,844	85.5	04.04.2009	04.04.2016	–	–
	B	434,673	–	–	434,673	–	88.0	15.05.2010	15.05.2017	–	–
	D	–	988,149	–	–	998,149	–	22.04.2013	22.04.2020	–	–
Brian Taylorson	A	43,778	–	–	–	43,778	35.5	01.10.2012	01.04.2013	–	–
	B	468,293	–	–	–	468,293	51.3	30.03.2008	30.03.2015	–	–
	B	379,532	–	–	–	379,532	85.5	04.04.2009	04.04.2016	–	–
	C	34,090	–	–	34,090	–	88.0	15.05.2010	15.05.2017	–	–
	B	278,410	–	–	278,410	–	88.0	15.05.2010	15.05.2017	–	–
	D	–	768,103	–	–	768,103	–	22.04.2013	22.04.2020	–	–

A Savings-related share option scheme.
B Executive Share Option Schemes 2003 (Unapproved).
C Executive Share Option Schemes 2003 (Approved).
D 2010 Long term incentive plan.

All executive options that were granted in 2007, which were subject to EPS and TSR performance conditions, lapsed during 2010 because the performance conditions were not met.

Note 25 to the Financial Statements contains a detailed schedule of all options granted to directors and employees as at 31 December 2010. All of the share options were granted for nil consideration.

The market price of ordinary shares at 31 December 2010 was 143.0 pence (2009: 53.0 pence) and the range during 2010 was 50.5 pence to 143.0 pence (2009: 22.75 pence to 63.5 pence).

Both David Dutro and Brian Taylorson were recipients of LTIP awards in 2008, the details of which are described on page 38.

Other than their service contract with the Company, none of the directors had an interest in any contract of significance in relation to the business of the Company or its subsidiaries at any time during the financial year.

Auditable section of the report on remuneration
The following sections and tables constitute the auditable part of this report as defined in the Companies Act 2006: Sections relating to "Short term incentive arrangements", "Long term incentive arrangements", "Savings-Related Share Option Schemes"; tables headed "Directors' remuneration", "Directors' retirement benefits", "Directors' shareholdings" and "Directors' share options".

The Remuneration report is prepared on behalf of the Board and has been approved by the Committee and signed on its behalf by:

Kevin Matthews
Chairman, Remuneration Committee
1 March 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEMENTIS PLC

We have audited the financial statements of Elementis plc for the year ended 31 December 2010 set out on pages 44 to 86. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on page 33 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 27, in relation to going concern;
- the part of the Corporate Governance Statement on page 30 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

M H Thompson (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

1 March 2011

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 Before exceptional items $million	2010 Exceptional items (note 5) $million	2010 After exceptional items $million	2009 Before exceptional items $million	2009 Exceptional items (note 5) $million	2009 After exceptional items $million
Revenue	2	**697.4**	**–**	**697.4**	563.7	–	563.7
Cost of sales		**(445.0)**	**–**	**(445.0)**	(385.3)	(2.9)	(388.2)
Gross profit		**252.4**	**–**	**252.4**	178.4	(2.9)	175.5
Distribution costs		**(82.8)**	**–**	**(82.8)**	(75.4)	–	(75.4)
Administrative expenses		**(67.3)**	**–**	**(67.3)**	(66.8)	(73.8)	(140.6)
Operating profit/(loss)	2	**102.3**	**–**	**102.3**	36.2	(76.7)	(40.5)
Finance income	3	**0.4**	**–**	**0.4**	1.2	–	1.2
Finance costs	4	**(6.7)**	**–**	**(6.7)**	(9.1)	–	(9.1)
Profit/(loss) before income tax		**96.0**	**–**	**96.0**	28.3	(76.7)	(48.4)
Tax	6	**(27.7)**	**5.8**	**(21.9)**	(9.3)	0.3	(9.0)
Profit/(loss) for the year	2	**68.3**	**5.8**	**74.1**	19.0	(76.4)	(57.4)
Attributable to:							
Equity holders of the parent		**68.3**	**5.8**	**74.1**	19.0	(76.4)	(57.4)
Minority interests		**–**	**–**	**–**	–	–	–
		68.3	**5.8**	**74.1**	19.0	(76.4)	(57.4)
Earnings per share							
Basic (cents)	9			**16.7**			(12.9)
Diluted (cents)	9			**16.5**			(12.9)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 $million	2009 $million
Profit/(loss) for the year	**74.1**	(57.4)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**7.3**	1.5
Actuarial gain/(loss) on pension and other post-retirement schemes	**25.3**	(51.1)
Effective portion of changes in fair value of cash flow hedges	**0.9**	(0.5)
Fair value of cash flow hedges transferred to income statement	**0.5**	29.2
Deferred tax associated with pension and other post-retirement schemes	**3.4**	(2.2)
Other comprehensive income	**37.4**	(23.1)
Total comprehensive income for the year	**111.5**	(80.5)
Attributable to:		
Equity holders of the parent	**111.5**	(80.5)
Minority interests	**–**	–
Total comprehensive income for the year	**111.5**	(80.5)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2010

	Note	2010 31 December $million	2009 31 December $million	2008 31 December $million
Non-current assets				
Goodwill and other intangible assets	10	**338.1**	339.5	327.3
Property, plant and equipment	11	**163.1**	168.7	174.1
Deferred tax assets	17	**6.7**	–	–
Interests in associates		**–**	0.1	0.1
Total non-current assets		**507.9**	508.3	501.5
Current assets				
Inventories	13	**102.3**	103.9	144.9
Trade and other receivables	14	**111.8**	102.4	112.6
Derivatives		**0.9**	–	–
Cash and cash equivalents	21	**40.8**	28.8	48.4
Total current assets		**255.8**	235.1	305.9
Total assets		**763.7**	743.4	807.4
Current liabilities				
Bank overdrafts and loans	20	**(7.0)**	(17.9)	(22.6)
Trade and other payables	15	**(95.3)**	(82.3)	(119.4)
Derivatives		**–**	(4.5)	(32.3)
Current tax liabilities		**(4.2)**	(6.5)	(8.2)
Provisions	16	**(10.3)**	(51.8)	–
Total current liabilities		**(116.8)**	(163.0)	(182.5)
Non-current liabilities				
Loans and borrowings	20	**(113.1)**	(117.2)	(117.8)
Retirement benefit obligations	24	**(67.4)**	(111.7)	(71.0)
Deferred tax liabilities	17	**(45.5)**	(22.7)	(14.8)
Provisions	16	**(38.2)**	(39.0)	(31.4)
Government grants		**(1.4)**	(1.9)	(2.3)
Total non-current liabilities		**(265.6)**	(292.5)	(237.3)
Total liabilities		**(382.4)**	(455.5)	(419.8)
Net assets		**381.3**	287.9	387.6
Equity				
Share capital	18	**43.2**	43.2	43.2
Share premium	19	**11.6**	11.0	11.0
Other reserves	19	**126.7**	116.0	85.7
Retained earnings	19	**198.2**	116.1	246.0
Total equity attributable to equity holders of the parent		**379.7**	286.3	385.9
Minority equity interests		**1.6**	1.6	1.7
Total equity		**381.3**	287.9	387.6

The financial statements on pages 44 to 82 were approved by the Board on 1 March 2011 and signed on its behalf by:

David Dutro
Group Chief Executive

Brian Taylorson
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital $million	Share premium $million	Translation reserve $million	Hedging reserve $million	Other reserves $million	Retained earnings $million	Total $million	Minority interest $million	Total equity $million
Balance at 1 January 2009	43.2	11.0	(40.4)	(36.2)	162.3	246.0	385.9	1.7	387.6
Comprehensive income Loss for the year	–	–	–	–	–	(57.4)	(57.4)	–	(57.4)
Other comprehensive income Exchange differences	–	–	1.5	–	–	–	1.5	–	1.5
Fair value of cash flow hedges transferred to the income statement	–	–	–	29.2	–	–	29.2	–	29.2
Effective portion of changes in fair value of cash flow hedges	–	–	–	(0.5)	–	–	(0.5)	–	(0.5)
Actuarial loss on pension scheme	–	–	–	–	–	(51.1)	(51.1)	–	(51.1)
Tax credit on actuarial loss on pension scheme	–	–	–	–	–	(2.2)	(2.2)	–	(2.2)
Transfer	–	–	–	–	(0.8)	0.8	–	–	–
Total other comprehensive income	–	–	1.5	28.7	(0.8)	(52.5)	(23.1)	–	(23.1)
Total comprehensive income	–	–	1.5	28.7	(0.8)	(109.9)	(80.5)	–	(80.5)
Transactions with owners Issue of shares	–	–	–	–	–	–	–	–	–
Share based payments	–	–	–	–	0.9	–	0.9	–	0.9
Dividends paid	–	–	–	–	–	(20.0)	(20.0)	–	(20.0)
Total contributions by and distributions to owners	–	–	–	–	0.9	(20.0)	(19.1)	–	(19.1)
Changes in ownership interests in subsidiaries that do not result in a loss of control Acquisition of minority interests	–	–	–	–	–	–	–	(0.1)	(0.1)
Total transactions with owners	–	–	–	–	0.9	(20.0)	(19.1)	(0.1)	(19.2)
Balance at 31 December 2009	43.2	11.0	(38.9)	(7.5)	162.4	116.1	286.3	1.6	287.9
Balance at 1 January 2010	**43.2**	**11.0**	**(38.9)**	**(7.5)**	**162.4**	**116.1**	**286.3**	**1.6**	**287.9**
Comprehensive income Profit for the year	**–**	**–**	**–**	**–**	**–**	**74.1**	**74.1**	**–**	**74.1**
Other comprehensive income Exchange differences	**–**	**–**	**8.6**	**–**	**–**	**–**	**8.6**	**–**	**8.6**
Fair value of cash flow hedges transferred to the income statement	**–**	**–**	**–**	**0.5**	**–**	**–**	**0.5**	**–**	**0.5**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**0.9**	**–**	**–**	**0.9**	**–**	**0.9**
Actuarial gain on pension scheme	**–**	**–**	**–**	**–**	**–**	**25.3**	**25.3**	**–**	**25.3**
Tax credit on actuarial loss on pension scheme	**–**	**–**	**–**	**–**	**–**	**3.4**	**3.4**	**–**	**3.4**
Transfer	**–**	**–**	**–**	**–**	**(1.2)**	**1.2**	**–**	**–**	**–**
Total other comprehensive income	**–**	**–**	**8.6**	**1.4**	**(1.2)**	**29.9**	**38.7**	**–**	**38.7**
Total comprehensive income	**–**	**–**	**8.6**	**1.4**	**(1.2)**	**104.0**	**112.8**	**–**	**112.8**
Transactions with owners Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(2.4)**	**(2.4)**	**–**	**(2.4)**
Issue of shares	**–**	**0.6**	**–**	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Share based payments	**–**	**–**	**–**	**–**	**1.9**	**–**	**1.9**	**–**	**1.9**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(19.5)**	**(19.5)**	**–**	**(19.5)**
Total transactions with owners	**–**	**0.6**	**–**	**–**	**1.9**	**(21.9)**	**(19.4)**	**–**	**(19.4)**
Balance at 31 December 2010	**43.2**	**11.6**	**(30.3)**	**(6.1)**	**163.1**	**198.2**	**379.7**	**1.6**	**381.3**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 $million	2009 $million
Operating activities:			
Profit/(loss) for the year		**74.1**	(57.4)
Adjustments for:			
Finance income		**(0.4)**	(1.2)
Finance costs		**6.7**	9.1
Tax charge		**21.9**	9.0
Depreciation and amortisation		**21.4**	20.5
Decrease in provisions		**(0.7)**	(2.4)
Pension contributions net of current service cost		**(18.4)**	(10.7)
Share based payments		**2.0**	0.9
Exceptional items		**–**	76.7
Cash flow in respect of exceptional items		**(40.7)**	(22.8)
Operating cash flow before movement in working capital		**65.9**	21.7
Decrease in inventories		**1.7**	44.0
(Increase)/decrease in trade and other receivables		**(7.7)**	7.3
Increase/(decrease) in trade and other payables		**7.9**	(43.2)
Cash generated by operations		**67.8**	29.8
Income taxes paid		**(5.6)**	(6.2)
Interest paid		**(3.9)**	(4.0)
Net cash flow from operating activities		**58.3**	19.6
Investing activities:			
Interest received		**0.7**	1.6
Disposal of property, plant and equipment		**2.1**	–
Purchase of property, plant and equipment		**(15.7)**	(13.5)
Purchase of business	30	**1.1**	(8.7)
Disposal of investment in associate		**–**	0.1
Acquisition of intangible		**(0.4)**	(0.3)
Net cash flow from investing activities		**(12.2)**	(20.8)
Financing activities:			
Issue of shares		**0.6**	–
Dividends paid		**(20.0)**	(20.0)
Receipt of unclaimed dividends		**0.8**	–
Purchase of own shares		**(2.4)**	–
Decrease in borrowings		**(15.7)**	(1.4)
Net cash used in financing activities		**(36.7)**	(21.4)
Net increase/(decrease) in cash and cash equivalents		**9.4**	(22.6)
Cash and cash equivalents at 1 January		**28.8**	48.4
Foreign exchange on cash and cash equivalents		**2.6**	3.0
Cash and cash equivalents at 31 December	21	**40.8**	28.8

1 Accounting policies

Elementis plc is a company incorporated in the UK. The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). The Company has elected to prepare its parent company financial statements in accordance with the UK GAAP. These are presented on pages 83 to 86.

Basis of preparation The financial statements have been prepared on the historical cost basis except that derivative financial instruments and financial instruments held for trading or available for sale are stated at their fair value. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. The preparation of financial statements requires the application of estimates and judgements that affect the reported amounts of assets and liabilities, revenues and costs and related disclosures at the balance sheet date. The accounting policies set out below have been consistently applied across Group companies to all periods presented in these consolidated financial statements.

The financial statements have been prepared on a going concern basis. The rationale for adopting this basis is discussed in the Directors' report on page 27.

Transition to US dollar reporting The Company decided to change the Group's reporting currency to US dollars in 2010 and these financial statements and the accompanying notes are the first full year financial statement to be reported in US dollars.

The majority of the Group's sales and earnings originate in US dollars or US dollar linked currencies and the change of presentation currency to the US dollar more closely aligns the Group's external reporting with the profile of the Group, as well as with current internal management reporting.

The change of the Group's presentation currency has been accounted for in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates. In accordance with IAS 1, Presentation of Financial Statements, the Consolidated Balance Sheet for 2008 has also been disclosed along with those for 2009 and 2010 as a third statement of financial position.

The following methodology was used to re-present the 2009 results, originally reported in pounds sterling, into US dollars:

a) Income and expenses were translated at the average exchange rate for the relevant period;
b) Assets and liabilities were translated at the closing exchange rate for each balance sheet date: and
c) Equity items were translated at historical exchange rates from 1 January 2004, the date for which the accounts were first prepared under IFRS.

The relevant exchange rates used were as follows:

	Year ended 31 Dec 2009 £1=US$	Year ended 31 Dec 2008 £1=US$
Average rate	1.55	1.89
Closing rate	1.61	1.44

Critical accounting policies Critical accounting policies are those that require significant judgements or estimates and potentially result in materially different results under different assumptions or conditions. It is considered that the Group's critical accounting policies are limited to those described below. The development of the estimates and disclosures related to each of these matters has been discussed by the Audit Committee.

(a) Provisions A provision is recognised in the balance sheet when the Group 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 Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. In accordance with the Group'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 and more difficult to estimate when they relate to sites no longer directly controlled by the Group. Elementis has taken a consistent approach to estimating environmental provisions.

(b) Pension and other post-retirement benefits In respect of the Group's defined benefit schemes, the Group'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 Group's obligations. Pension and post-retirement liabilities are calculated by qualified actuaries using the projected unit credit method. The expected increase in the present value of scheme liabilities and the long term expected return on assets based on the fair value of the scheme assets at the start of the period, are included in the income statement under finance income. Any difference between the expected return on assets and that achieved is recognised in the statement of comprehensive income together with the difference from experience or assumption changes. The Group recognises all such actuarial gains and losses in the period in which they occur through the statement of comprehensive income. The Group 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 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) Intangible assets

(i) Goodwill All business combinations since the transition to IFRS on 1 January 2004 are accounted for by applying the purchase method. In respect of business acquisitions that have occurred since the transition date, goodwill represents the difference between the cost of the consideration given and the fair value of net identifiable assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. Goodwill is allocated to cash-generating units and tested annually for impairment. Changes to the assumptions used in impairment testing could have a material impact on the financial position of the Group and of the result for the year.

(ii) Research and development Expenditure on research is recognised in the income statement as an expense as incurred. Expenditure on development where research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Expenditure capitalised is stated as the cost of materials, direct labour and an appropriate proportion of overheads less accumulated amortisation. Other development expenditure is recognised in the income statement as an expense as incurred.

(iii) Other intangible assets Other intangible assets are stated at cost or, when arising in a business combination, estimated fair value, less accumulated amortisation.

(iv) Amortisation Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. On this basis there is no amortisation of intangible assets relating to brand. Goodwill is systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents and trademarks	10 – 20 years
Other intangible assets	1 – 5 years

(d) Derivative financial instruments The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Due to the requirement to measure the effectiveness of hedging instruments, changes in market conditions can result in the recognition of unrealised gains or losses on hedging instruments in the income statement.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(i) Cash flow hedges Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

(ii) Fair value hedges Where a derivative financial instrument is designated as a hedge of the variability in a fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

1 Accounting policies (continued)

(e) Exceptional items The Group presents certain items separately as "exceptional". These are items which in management's judgement, need to be disclosed by virtue of their size and incidence in order for the user to obtain a proper understanding of the financial information. The determination of which items are separately disclosed as exceptional items requires a significant degree of judgement.

(f) Income tax 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 substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. 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 substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. The Group operates in a number of countries in the world and is subject to many tax jurisdictions and rules. As a consequence the Group is subject to tax audits, which by their nature are often complex and can require several years to conclude. Management's judgement is required to determine the total provision for income tax. Amounts are accrued based on management's interpretation of country specific tax law and likelihood of settlement. However the actual tax liabilities could differ from the position and in such events an adjustment would be required in the subsequent period which could have a material impact. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation. This evaluation requires judgements to be made including the forecast of future taxable income.

(g) Property, plant and equipment Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Freehold land is not depreciated. Leasehold property is depreciated over the period of the lease. Freehold buildings, plant and machinery, vehicles, fixtures, fittings and equipment are depreciated over their estimated useful lives on a straight line basis. Depreciation methods, useful lives and residual values are assessed at the reporting date. No depreciation is charged on assets under construction until the asset is brought into use.

Estimates of useful lives of these assets are:

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

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within it will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Management regularly considers whether there are any indications of impairment to carrying values of property, plant and equipment. Impairment reviews are based on risk adjusted discounted cash flow projections. Significant judgement is applied to the assumptions underlying these projections which include estimated discount rates, growth rates, future selling prices and direct costs. Changes to these assumptions could have a material impact on the financial position of the Group and of the result for the year.

Basis of consolidation The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period. A subsidiary is an entity that is controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during a period are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group has adopted IFRS 3 (revised), Business Combinations, prospectively for business combinations where the acquisition date is on or after 1 January 2010. This measures goodwill at the acquisition date as the fair value of the consideration transferred, the recognised amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less the fair value of the identifiable assets acquired and liabilities assumed. For acquisitions made by the Group since its initial adoption of IFRS in 2005 and 31 December 2009 goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

In accordance with the transitional rules of IFRS 1, the Company has not restated business combinations that took place prior to the date of transition to IFRS of 1 January 2004. As a consequence the Scheme of Arrangement entered into in 1998 whereby the Company acquired Elementis Holdings Limited and applied the true and fair override to account for the transaction as a merger has not been restated under IFRS.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Associates Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. The consolidated financial statements include the Group's share of the post-acquisition total recognised gains and losses and the net assets of associates on an equity accounted basis. Where the Group's share of losses exceeds its investment in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred a legal or constructive obligation.

Foreign currency

(a) Foreign currency transactions 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 foreign exchange rate ruling at that 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 rates ruling at the dates the fair value was determined.

(b) Financial statements of foreign operations The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the average rates of exchange ruling for the relevant period. Exchange differences arising since 1 January 2004 on translation are taken to the translation reserve. They are recognised in the income statement upon disposal of the foreign operation. The Group hedges a portion of the translation exposure of its overseas net assets through pounds sterling and Euro borrowings. From 1 January 2005, the Group has elected to apply net investment hedge accounting for these transactions where possible. Where hedging is applied, the effective portion of the gain or loss on an instrument used to hedge a net investment is recognised in equity. Any ineffective portion of the hedge is recognised in the income statement.

Leased assets Leases which result in the Group receiving substantially all of the risks and rewards of ownership of an asset are treated as finance leases. An asset held under a finance lease is recorded in the balance sheet and depreciated over the shorter of its estimated useful life and the lease term. Future instalments net of finance charges are included within borrowings. Minimum lease payments are apportioned between the finance charge, which is allocated to each period to produce a constant periodic rate of interest on the remaining liability and charged to the income statement and reduction of the outstanding liability. Rental costs arising from operating leases are charged on a straight line basis over the period of the lease.

Inventories Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less estimated costs of completion and selling expenses. Cost, which is based on a weighted average, includes expenditure incurred in acquiring stock and bringing it to its existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads attributable to manufacture, based on normal operating capacity.

Trade receivables Trade receivables are non-interest bearing and are stated at their nominal amount which is the original invoiced amount less provision made for bad and doubtful receivables. Estimated irrecoverable amounts are based on the ageing of receivables and historical experience. Individual trade receivables are written off when management deem them no longer to be collectable.

Cash and cash equivalents Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Borrowings Borrowings are initially measured at cost (which is equal to the fair value at inception), and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds, net of transaction costs and the settlement or redemption of borrowings is recognised over the terms of the borrowings using the effective interest rate method.

Trade payables Trade payables are non-interest bearing borrowings and are initially measured at fair value and subsequently carried at amortised cost.

Share capital Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity. When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

1 Accounting policies (continued)

Impairment The carrying amount of non-current assets other than deferred tax is compared to the asset's recoverable amount at each balance sheet date where there is an indication of impairment. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Revenue Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and rebates. Revenue is recognised in the income statement only where there is evidence, usually in the form of a sales agreement, that the significant risks and rewards of ownership have been transferred to the customer and where the collectability of revenue is reasonably assured.

Finance income and finance costs Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value taken to the income statement. Interest income is recognised as it accrues, using the effective interest method. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses and changes in the fair value of financial assets at fair value taken to the income statement. All borrowing costs are recognised the income statement using the effective interest method.

Share based payments The fair value of equity settled share options granted to employees is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an employee expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Own shares held by Employee Share Ownership Trust ("ESOT")
Transactions of the Group-sponsored ESOT are included in the consolidated financial statements. In particular, the trust's purchases of shares in the Company are charged directly to equity.

Investments Investments comprising loans and receivables are stated at amortised cost.

Government grants Grants against capital expenditure from government and other bodies are shown separately in the balance sheet. Such grants are released to the profit and loss account over the same period for which the relevant assets are depreciated.

Non-current assets held for sale and discontinued operations
A non-current asset or a group of assets containing a non-current asset (a disposal group), is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and is highly probable within one year. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of has been abandoned or that meets the criteria to be classified as held for sale.

Termination benefits Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

New standards and interpretations not yet adopted New standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements, but that become mandatory for the Group's 2010 financial statements are as follows:

IAS 24 Related Party Disclosures (revised 2009)
The revised standard introduces changes in disclosure for government related entities and revisions to the definition of a related party.

Amendments to IFRIC 14 – prepayments of a Minimum Funding Requirement
The amendment removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement and results in prepayments of contributions in certain circumstances being recognised as an asset rather than as an expense.

IFRS 7 Financial Instruments: Disclosures – Amendments to Disclosures

IAS 1 Presentation of Financial Statements – Presentation of statement of changes in equity
This amendment introduces the requirement to present a reconciliation from opening to closing balances for each component of equity within the statement of changes to equity.

IAS 27 Consolidated and Separate Financial Statements
Transition requirements for amendments made as a result of IAS 27 (2008) to IAS 21, IAS 28 and IAS 31.

IAS 34 Interim Financial Reporting – Significant events and transactions
Introduces additional examples of events or transactions that require disclosure under IAS 34.

IFRIC 13 Customer Loyalty Programmes – Fair value of award credit

The Group has not yet determined the potential impact of these standards and interpretations on the 2011 financial statements.

2 Operating segments

The Group has determined its operating segments on the basis of those used for management, internal reporting purposes and the allocation of strategic resources. The three reportable segments, Specialty Products, Surfactants and Chromium each have distinct product groupings and, with the exception of Surfactants which shares a common management structure and Specialty Products, separate management structures. There is no material inter-segmental trading. Segment results, assets and liabilities include items directly attributable to a segment and those that may be reasonably allocated from corporate activities. Presentation of the segmental results is on a basis consistent with those used for reporting Group results. Principal activities of the reportable segments are as follows:

Specialty Products	– production of rheological additives, compounded products and colourants.
Surfactants	– production of surface active ingredients.
Chromium	– production of chromium chemicals.

Following the closure of the UK Chromium facility in 2009, a review of the Group's product portfolio identified that the management of the sales, technical service and supply chain requirements of Pigmentary Oxide and Chrome Hydrate would be more effective within the Specialty Products division rather than the Chromium division. In order to present segmental operating information in a consistent fashion with that now used for internal management reporting, the previously reported segmental information for the year ended 31 December 2009 has been restated.

The inter-segment revenue identified overleaf represents the sale of these products from the Chromium to Specialty Products division. Inter-segment pricing is set at a level that equates to the manufacturing cost of the product plus a commercially appropriate mark up.

Unallocated items and those relating to corporate functions such as tax and treasury are presented in the tables overleaf as central costs.

2 Operating segments (continued)

Segmental analysis for the year ended 31 December 2010

	2010					
	Specialty Products $million	Surfactants $million	Chromium $million	Segment totals $million	Central costs $million	Total $million
Revenue	410.8	88.1	209.7	708.6	–	708.6
Internal revenue	–	–	(11.2)	(11.2)	–	(11.2)
Revenue from external customers	410.8	88.1	198.5	697.4	–	697.4
Operating profit	73.1	6.5	36.6	116.2	(13.9)	102.3
Head office cost allocations	(1.3)	(0.4)	(0.8)	(2.5)	2.5	–
Profit before interest	71.8	6.1	35.8	113.7	(11.4)	102.3
Finance income	–	–	–	–	0.4	0.4
Finance expense	–	–	–	–	(6.7)	(6.7)
Taxation – pre-exceptional	–	–	–	–	(27.7)	(27.7)
Taxation – exceptional	–	–	–	–	5.8	5.8
Profit for the period	71.8	6.1	35.8	113.7	(39.6)	74.1
Fixed assets	432.6	19.7	64.4	516.7	(15.5)	501.2
Inventories	60.0	8.9	33.4	102.3	–	102.3
Trade and other receivables	58.5	16.5	24.0	99.0	12.8	111.8
Deferred tax assets	–	–	–	–	6.7	6.7
Derivatives	–	–	–	–	0.9	0.9
Cash and cash equivalents	–	–	–	–	40.8	40.8
Segment assets	551.1	45.1	121.8	718.0	45.7	763.7
Trade and other payables	(43.4)	(10.7)	(23.3)	(77.4)	(17.9)	(95.3)
Operating provisions	–	–	–	–	(30.8)	(30.8)
Other liabilities	–	–	(17.7)	(17.7)	–	(17.7)
Bank overdrafts and loans	–	–	–	–	(120.1)	(120.1)
Current tax liabilities	–	–	–	–	(4.2)	(4.2)
Retirement benefit obligations	–	–	–	–	(67.4)	(67.4)
Deferred tax liabilities	–	–	–	–	(45.5)	(45.5)
Government grants	–	–	–	–	(1.4)	(1.4)
Segment liabilities	(43.4)	(10.7)	(41.0)	(95.1)	(287.3)	(382.4)
Net assets	507.7	34.4	80.8	622.9	(241.6)	381.3
Capital additions	7.4	1.1	6.8	15.3	0.4	15.7
Depreciation and amortisation	(12.5)	(2.5)	(6.1)	(21.1)	(0.3)	(21.4)

Information by geographical area	North America	United Kingdom	Rest of Europe	Rest of the World	Total
Revenue from external customers	237.4	20.2	207.5	232.3	697.4
Non-current assets	372.7	39.9	35.3	53.2	501.1
Capital additions	13.2	0.4	1.6	0.5	15.7
Depreciation and amortisation	(13.5)	(1.3)	(3.3)	(3.3)	(21.4)

Segmental analysis for the year ended 31 December 2009

	2009 Restated					
	Specialty Products $million	Surfactants $million	Chromium $million	Segment totals $million	Central costs $million	Total $million
Revenue	315.2	76.3	183.4	574.9	–	574.9
Internal revenue	–	–	(11.2)	(11.2)	–	(11.2)
Revenue from external customers	315.2	76.3	172.2	563.7	–	563.7
Operating profit before exceptionals	37.4	0.4	20.0	57.8	(21.6)	36.2
Head office cost allocations	(6.5)	(0.3)	(6.1)	(12.9)	12.9	–
Exceptionals	–	–	(44.5)	(44.5)	(32.2)	(76.7)
Profit/(loss) before interest	30.9	0.1	(30.6)	0.4	(40.9)	(40.5)
Finance income	–	–	–	–	1.2	1.2
Finance expense	–	–	–	–	(9.1)	(9.1)
Taxation	–	–	–	–	(9.0)	(9.0)
Profit/(loss) for the period	**30.9**	**0.1**	**(30.6)**	**0.4**	**(57.8)**	**(57.4)**
Fixed assets	434.7	23.7	64.4	522.8	(14.6)	508.2
Investments in associates	–	–	–	–	0.1	0.1
Inventories	56.4	9.7	37.8	103.9	–	103.9
Trade and other receivables	57.8	11.7	23.7	93.2	9.2	102.4
Cash and cash equivalents	–	–	–	–	28.8	28.8
Segment assets	**548.9**	**45.1**	**125.9**	**719.9**	**23.5**	**743.4**
Trade and other payables	(38.8)	(11.8)	(16.4)	(67.0)	(15.3)	(82.3)
Operating provisions	(0.5)	(2.2)	(10.2)	(12.9)	(51.2)	(64.1)
Restructuring	–	–	(26.7)	(26.7)	–	(26.7)
Bank overdrafts and loans	–	–	–	–	(135.1)	(135.1)
Derivatives	–	–	–	–	(4.5)	(4.5)
Current tax liabilities	–	–	–	–	(6.5)	(6.5)
Retirement benefit obligations	–	–	–	–	(111.7)	(111.7)
Deferred tax liabilities	–	–	–	–	(22.7)	(22.7)
Government grants	–	–	–	–	(1.9)	(1.9)
Segment liabilities	**(39.3)**	**(14.0)**	**(53.3)**	**(106.6)**	**(348.9)**	**(455.5)**
Net assets	**509.6**	**31.1**	**72.6**	**613.3**	**(325.4)**	**287.9**
Capital additions	9.0	0.9	3.7	13.6	(0.1)	13.5
Depreciation and amortisation	(11.6)	(2.8)	(5.8)	(20.2)	(0.3)	(20.5)

Information by geographical area	North America	United Kingdom	Rest of Europe	Rest of the World	Total
Revenue from external customers	166.9	28.1	181.5	187.2	563.7
Non-current assets	372.7	43.2	40.9	51.5	508.3
Capital additions	9.9	0.8	1.2	1.6	13.5
Depreciation and amortisation	(12.0)	(1.1)	(4.0)	(3.4)	(20.5)

3 Finance income

	2010 $million	2009 $million
Interest on bank deposits	0.4	0.6
Other	–	0.6
	0.4	1.2

4 Finance costs

	2010 $million	2009 $million
Interest on bank loans	3.7	3.1
Expected return on pension scheme assets	(42.9)	(37.5)
Interest on pension scheme liabilities	44.8	43.5
Pension and other post retirement liabilities	1.9	6.0
Unwind of discount on provisions	1.1	–
	6.7	9.1

5 Exceptional items

	2010 $million	2009 $million
EU Commission fine and associated costs	–	(33.5)
Chromium restructuring	–	(44.5)
Hedging costs	–	(7.2)
Pension adjustment relating to past service cost	–	8.5
	–	(76.7)
Tax credit on exceptional items	–	0.3
Deferred tax asset	5.8	–
	5.8	(76.4)

The Group has continued its separate presentation of certain items as exceptional. These are items which, in management's judgement, need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information.

A deferred tax asset of $5.8 million has been set up in the year to recognise the value of historic losses and other tax attributes that are now believed to be of value following an increase in the profitability of the UK based Specialties business.

Exceptional items of $76.4 million, which were charged to the income statement in 2009, included a charge of $33.5 million relating to European Union Commission fines, Chromium restructuring costs of $44.5 million, exceptional hedging costs of $7.2 million and a $8.5 million credit relating to the valuation of the UK pension. Full details of these can be found in the 2009 Annual Report.

6 Income tax expense

	2010 $million	2009 $million
Current tax:		
Overseas corporation tax	5.8	5.6
Adjustments in respect of prior years:		
United Kingdom	–	(0.6)
Overseas	(2.4)	(1.1)
Total current tax	3.4	3.9
Deferred tax:		
United Kingdom	2.2	–
Adjustments in respect of prior year	(5.8)	–
Overseas	21.1	2.6
Adjustments in respect of prior years	1.0	2.5
Total deferred tax	18.5	5.1
Income tax expense for the year	21.9	9.0
Comprising:		
Before exceptional items	27.7	9.3
Exceptional items	(5.8)	(0.3)
	21.9	9.0

The tax charge on profit before exceptional items represents an effective tax rate on profit before exceptional items for the year ended 31 December 2010 of 28.9 per cent (2009: 32.8 per cent). As a Group involved in overseas operations, the amount of profitability in each jurisdiction, transfer pricing legislation and local tax rate changes, will affect future tax charges.

A deferred tax credit of $3.4 million has been recognised in the statement of comprehensive income in the year of which $5.4 million relates to the initial setting up of a deferred tax asset (2009: nil), offset by a $2.0 million charge in respect of actuarial gains (2009: $2.2 million charge).

The total charge for the year can be reconciled to the accounting profit as follows:

	2010 $million	2010 per cent	2009 $million	2009 per cent
Profit before tax	96.0	–	(48.4)	–
Tax on ordinary activities at 28.0 per cent (2009: 28.0 per cent)	26.9	28.0	(13.6)	28.0
Difference in overseas effective tax rates	6.2	6.5	1.4	(2.9)
Expenses not deductible for tax purposes	1.0	1.0	21.8	(45.0)
Tax losses and other deductions	(5.0)	(5.2)	(1.1)	2.3
Adjustments in respect of prior years	(1.4)	(1.5)	0.8	(1.6)
Exceptional tax credit	(5.8)	(6.0)	(0.3)	0.6
Tax charge and effective tax rate for the year	21.9	22.8	9.0	(18.6)

7 Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2010 $million	2009 $million
Employee costs	**92.6**	89.1
Net foreign exchange losses	**0.7**	10.9
Research and development costs	**9.2**	9.1
Government grants	**(0.4)**	(0.5)
Depreciation of property, plant and equipment	**19.9**	19.9
Amortisation of intangible assets	**1.9**	1.1
Total depreciation and amortisation expense	**21.8**	21.0
Cost of inventories recognised as expense	**361.3**	294.8
Fees available to the Company's auditor and its associates:		
Audit of the Company's financial statements	**0.2**	0.2
Audit of the Company's subsidiaries	**0.4**	0.5
Other services	**0.4**	0.1

Other services in relation to the fees paid to the auditors comprise mainly of advisory services relating to taxation.

8 Employees

	2010 $million	2009 $million
Employee costs:		
Wages and salaries	**83.0**	77.8
Social security costs	**7.0**	7.4
Pension costs	**2.6**	3.9
	92.6	89.1

	Number	Number
Average number of FTE employees*:		
Specialty Products	**849**	889
Surfactants	**159**	164
Chromium	**199**	275
Central	**15**	13
Total	**1,222**	1,341

* Full-time equivalent

9 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following:

	2010 $million	2009 $million
Earnings:		
Earnings for the purpose of basic earnings per share	**74.1**	(57.4)
Exceptional items net of tax	**(5.8)**	76.4
Adjusted earnings	**68.3**	19.0

	2010 million	2009 million
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	**443.5**	443.3
Effect of dilutive share options*	**4.6**	–
Weighted average number of shares for the purposes of diluted earnings per share	**448.1**	443.3

* Potential ordinary shares are not treated as being dilutive in 2009 as they would have the effect of decreasing the loss per share.

	2010 cents	2009 cents
Earnings per share:		
Basic	**16.7**	(12.9)
Diluted	**16.5**	(12.9)
Basic before exceptional items	**15.4**	4.3
Diluted before exceptional items	**15.2**	4.3

10 Goodwill and other intangible assets

	Goodwill $million	Brand $million	Other intangible assets $million	Total $million
Cost:				
At 1 January 2009	303.0	13.4	13.1	329.5
Exchange differences	4.3	0.4	0.2	4.9
Acquisition of subsidiary	8.1	–	–	8.1
Additions	–	–	0.3	0.3
At 1 January 2010	315.4	13.8	13.6	342.8
Exchange differences	(2.1)	1.3	0.9	0.1
Reclassification	(8.0)	2.8	5.2	–
Additions	–	–	0.4	0.4
At 31 December 2010	**305.3**	**17.9**	**20.1**	**343.3**
Amortisation:				
At 1 January 2009	–	–	2.2	2.2
Charge for the year	–	–	1.1	1.1
At 1 January 2010	–	–	3.3	3.3
Charge for the year	–	–	1.9	1.9
At 31 December 2010	**–**	**–**	**5.2**	**5.2**
Carrying amount:				
At 31 December 2010	**305.3**	**17.9**	**14.9**	**338.1**
At 31 December 2009	315.4	13.8	10.3	339.5
At 1 January 2009	303.0	13.4	10.9	327.3

The transfer between goodwill and other intangible assets is the result of the conclusion of the purchase price allocation exercise that took place following the Fancor acquisition on 24 December 2009. An amount of $8.0 million previously and provisionally recognised as goodwill has been re-allocated to other intangible assets.

Included with additions to goodwill is an increase of $1.1 million from the Fancor acquisition and a decrease of $1.1 million relating to amounts received from the former owners of Deuchem relating to the settlement of some outstanding warranty issues. The total amount of goodwill and intangibles relating to the Fancor acquisition is therefore $9.2 million and is analysed in Note 30.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying value of goodwill relates to Elementis Specialty Products ($301.8 million) and Elementis Surfactants ($3.5 million).

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The discount rate used in 2010 was 10.6 per cent (2009: 10.3 per cent). The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent three year plans approved by management for the next three years and extrapolates cash flows for the following 17 years based on an estimated growth rate of 2.5 per cent. The rate does not exceed the average long term growth rate for the relevant markets.

The brand intangible represents the value ascribed to the trading name and reputation of the recent Deuchem and Fancor acquisitions. The Group considers these to have significant and ongoing value to the business that will be maintained and it is therefore considered appropriate to assign these assets an indefinite useful life. The remaining intangible assets comprise of the value ascribed to customer lists, patents and non-compete clauses, which are being amortised over periods of five to ten years.

Other intangible assets comprise mainly of the value ascribed to the brand and customer lists acquired as part of the Deuchem acquisition. The customer list is being amortised over a useful economic life of ten years.

11 Property, plant and equipment

	Land & buildings $million	Plant & machinery $million	Fixtures, fittings & equipment $million	Under construction $million	Total $million
Cost:					
At 1 January 2009	142.3	454.5	50.5	17.5	664.8
Additions	–	0.4	0.1	12.9	13.4
Exchange differences	4.4	23.2	0.1	0.2	27.9
Disposals	(0.4)	(10.0)	(0.5)	–	(10.9)
Reclassifications	1.1	17.3	0.8	(19.2)	–
At 1 January 2010	147.4	485.4	51.0	11.4	695.2
Additions	–	0.9	0.1	14.7	15.7
Exchange differences	(0.8)	(12.0)	(0.6)	0.2	(13.2)
Disposals	(0.1)	(5.7)	(0.3)	–	(6.1)
Reclassifications	0.3	11.9	0.6	(12.8)	–
At 31 December 2010	**146.8**	**480.5**	**50.8**	**13.5**	**691.6**
Accumulated depreciation:					
At 1 January 2009	90.5	358.6	38.7	2.9	490.7
Charge for the year	3.1	12.9	3.9	–	19.9
Exchange differences	3.6	21.8	0.1	0.3	25.8
Disposals	(0.3)	(9.1)	(0.5)	–	(9.9)
Reclassifications	0.2	(0.2)	–	–	–
At 1 January 2010	97.1	384.0	42.2	3.2	526.5
Charge for the year	3.0	13.4	3.5	–	19.9
Exchange differences	(1.9)	(11.2)	(0.7)	(0.1)	(13.9)
Disposals	–	(3.8)	(0.2)	–	(4.0)
Reclassifications	–	(0.3)	0.3	–	–
At 31 December 2010	**98.2**	**382.1**	**45.1**	**3.1**	**528.5**
Net book value:					
At 31 December 2010	**48.6**	**98.4**	**5.7**	**10.4**	**163.1**
At 31 December 2009	50.3	101.4	8.8	8.2	168.7
At 1 January 2009	51.8	95.9	11.8	14.6	174.1

Group capital expenditure contracted but not provided for in these financial statements amounted to $10.1 million (2009: $nil).

Land and buildings at cost comprised the following:

	2010 $million	2009 $million
Freehold property	**146.5**	147.1
Short leasehold properties	**0.3**	0.3
	146.8	147.4

12 Interests in associates

	2010 $million	2009 $million	2008 $million
Cost of investments in associates	–	0.1	0.1

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13 Inventories

	2010 $million	2009 $million	2008 $million
Raw materials and consumables	**33.4**	32.7	51.1
Work in progress	**9.0**	12.6	21.3
Finished goods and goods purchased for resale	**59.9**	58.6	72.5
	102.3	103.9	144.9

Inventories are disclosed net of provisions for obsolescence of $4.8 million (2009: $3.5 million).

An amount of $3.4 million has been written off inventories following a review of the obsolence of engineering spares and the finalisation of the Fancor purchase price allocation exercise.

14 Trade and other receivables

	2010 $million	2009 $million	2008 $million
Trade receivables	**100.9**	92.9	99.4
Other receivables	**4.6**	5.2	7.9
Prepayments and accrued income	**6.3**	4.3	5.3
	111.8	102.4	112.6

15 Trade and other payables

	2010 $million	2009 $million	2008 $million
Trade payables	**44.6**	41.7	57.3
Other taxes and social security	**1.0**	1.3	1.3
Other payables	**6.5**	6.0	7.2
Accruals and deferred income	**43.2**	33.3	53.6
	95.3	82.3	119.4

16 Provisions

	Environmental $million	Chromium UK closure $million	Self insurance $million	EU commission fine $million	Total $million
At 1 January 2009	28.8	–	2.6	–	31.4
Charge to income statement	0.6	45.5	–	39.3	85.4
Utilised during the year	(3.6)	(14.2)	–	–	(17.8)
Currency translation differences	2.2	(4.6)	–	(5.8)	(8.2)
At 1 January 2010	28.0	26.7	2.6	33.5	90.8
Charge to income statement	3.2	–	(0.2)	–	3.0
Utilised during the year	(2.4)	(8.1)	(0.1)	(32.2)	(42.8)
Transfer	(3.6)	3.6	–	–	–
Currency translation differences	(0.3)	(0.9)	–	(1.3)	(2.5)
At 31 December 2010	**24.9**	**21.3**	**2.3**	**–**	**48.5**
Due within one year	3.0	7.1	0.2	–	10.3
Due after one year	21.9	14.2	2.1	–	38.2

Environmental provisions relate to manufacturing and distribution sites including certain sites no longer owned by the Group. These provisions have been derived using a discounted cash flow methodology and reflect the extent to which it is probable that expenditure will be incurred over the next 20 years.

The Chromium UK closure provision contains all anticipated costs relating to closure including environmental costs.

Self insurance provisions at 31 December 2010 represent the aggregate of outstanding claims plus a projection of losses incurred but not reported. The self insurance provisions are expected to be utilised within five years.

17 Deferred tax

	Retirement benefit plans $million	Accelerated tax depreciation $million	Amortisation of US goodwill $million	Temporary differences $million	Unrelieved tax losses $million	Total $million
At 1 January 2009	17.4	(19.3)	(56.8)	0.1	43.8	(14.8)
(Charge)/credit to the income statement	0.5	(2.3)	(10.9)	(0.9)	8.5	(5.1)
Debit to other comprehensive income	(2.2)	–	–	–	–	(2.2)
Currency translation differences	0.1	0.2	(1.7)	–	0.8	(0.6)
At 1 January 2010	15.8	(21.4)	(69.4)	(0.8)	53.1	(22.7)
(Charge)/credit to the income statement	(4.6)	(0.9)	(8.3)	2.7	(13.3)	(24.4)
Exceptional credit	–	–	–	1.8	4.0	5.8
Credit to other comprehensive income	3.4	–	–	–	–	3.4
Currency translation differences	–	–	–	(0.9)	–	(0.9)
At 31 December 2010	**14.6**	**(22.3)**	**(77.7)**	**2.8**	**43.8**	**(38.8)**
Deferred tax asset	**2.4**	**–**	**–**	**1.3**	**3.0**	**6.7**
Deferred tax liability	**12.2**	**(22.3)**	**(77.7)**	**1.5**	**40.8**	**(45.5)**

At 31 December 2010 the full amount of ACT previously written-off, available for offset against future UK profits, was $39.4 million (2009: $42.7 million). Additional tax losses for which no deferred tax asset has been recognised and for which there is no expiry date were $32.1 million (2009: $105.1 million).

Deferred tax assets have been recognised to the extent that it is considered more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted. Where this is not the case, deferred tax assets have not been recognised. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. There are no significant temporary differences arising in connection with interests in subsidiaries and associates.

18 Share capital

	2010 $million	2009 $million	2008 $million
At 1 January	**43.2**	43.2	43.1
Issue of shares	**–**	–	0.1
At 31 December	**43.2**	43.2	43.2

Details of share capital are set out in Note 7 to the parent company financial statements.

19 Share premium, other reserves and retained earnings

	Share premium $million	Other reserves $million	Retained earnings $million	Total $million
Balance at 1 January 2009	11.0	85.7	246.0	342.7
Issue of shares	–	–	–	–
Share based payments	–	0.9	–	0.9
Loss for the year	–	–	(57.4)	(57.4)
Dividends paid	–	–	(20.0)	(20.0)
Purchase of own shares	–	–	–	–
Actuarial loss on pension scheme	–	–	(51.1)	(51.1)
Exchange differences	–	1.5	–	1.5
Tax credit on actuarial loss on pension scheme	–	–	(2.2)	(2.2)
Increase in fair value of derivatives	–	28.7	–	28.7
Transfer	–	(0.8)	0.8	–
Balance at 1 January 2010	11.0	116.0	116.1	243.1
Issue of shares	0.6	–	–	0.6
Share based payments	–	1.9	–	1.9
Profit for the year	–	–	74.1	74.1
Dividends paid	–	–	(19.5)	(19.5)
Purchase of own shares	–	–	(2.4)	(2.4)
Actuarial gain on pension scheme	–	–	25.3	25.3
Exchange differences	–	8.6	–	8.6
Tax credit on actuarial gain on pension scheme	–	–	3.4	3.4
Increase in fair value of derivatives	–	1.4	–	1.4
Transfer	–	(1.2)	1.2	–
Balance at 31 December 2010	**11.6**	**126.7**	**198.2**	**336.5**

Dividends paid include a one-time credit for $0.5 million relating to past dividends paid or declared that have remained unclaimed for more than 12 years and which have been forfeited in the year.

Other reserves comprise:

	Capital redemption reserve $million	Translation reserve $million	Hedging reserve $million	Share options reserve $million	Total $million
At 1 January 2009	158.8	(40.4)	(36.2)	3.5	85.7
Share based payments	–	–	–	0.9	0.9
Exchange differences	–	1.5	–	–	1.5
Increase in fair value of derivatives	–	–	28.7	–	28.7
Transfer	–	–	–	(0.8)	(0.8)
At 1 January 2010	158.8	(38.9)	(7.5)	3.6	116.0
Share based payments	–	–	–	1.9	1.9
Exchange differences	–	8.6	–	–	8.6
Increase in fair value of derivatives	–	–	1.4	–	1.4
Transfer	–	–	–	(1.2)	(1.2)
Balance at 31 December 2010	**158.8**	**(30.3)**	**(6.1)**	**4.3**	**126.7**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

20 Borrowings

	2010 $million	2009 $million	2008 $million
Bank loans	**120.1**	135.1	140.4

The borrowings are repayable as follows:			
On demand or within one year	**9.1**	17.9	22.6
In the second year	**1.6**	114.8	–
In the third year	**1.6**	0.3	114.6
In the fourth year	**107.8**	0.3	–
After more than five years	**–**	1.8	3.2
	120.1	135.1	140.4

The weighted average interest rates paid were as follows:

	2010 per cent	2009 per cent	2008 per cent
Bank loans	**2.4**	2.2	6.3

All US dollar and Euro denominated borrowings were unsecured and at floating rates for periods of up to six months, bearing interest at the relevant interbank rates plus a margin. The China RMB and Taiwan dollar consisted of unsecured borrowings, those secured by time deposits and those secured by charges over various land and buildings in Taiwan. Group borrowings were denominated as follows:

	US Dollar	China RMB	Taiwan Dollar	Euro	Total
Bank loans					
31 December 2009	127.9	2.9	4.1	0.2	135.1
31 December 2010	**109.9**	**–**	**10.2**	**–**	**120.1**

21 Cash and cash equivalents

Cash and cash equivalents for the purpose of the consolidated cash flow statement comprise the following:

	2010 $million	2009 $million	2008 $million
Cash and cash equivalents	**40.8**	28.8	48.4

22 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No single customer accounts for a significant proportion of the Group's revenue and geographically there is no concentration of credit risk.

Each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar assets.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A1 from Standard & Poor's and A from Moody's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's funding policy is to have committed borrowings in place to cover at least 125 per cent of the maximum forecast net borrowings for the next 12 month period. At the year end the Group had $105.9 million (2009: $127.2 million) of undrawn committed facilities, of which $95.0 million expires after more than one year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Group uses derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a foreign currency other than the respective functional currencies of Group entities, primarily the Euro and the US dollar. The Group hedges approximately 70 per cent of current and forecast trade receivables and trade payables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily US dollar, but also Euro and pounds sterling. This provides an economic hedge and no derivatives are entered into. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances. The Group's investment in overseas subsidiaries is hedged by US dollar denominated drawdowns under the syndicated facility, which mitigates the currency risk arising from the translation of subsidiary's net assets.

Interest rate risk

The Group's policy is to borrow at both fixed and floating interest rates and to use interest rate swaps to generate the required interest profile. The policy does not require that a specific proportion of the Group's borrowings are at fixed rates of interest.

Other market price risk

Equity price risk arises from available-for-sale equity securities held within the Group's defined benefit pension obligations. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise investment returns in order to meet partially the Group's unfunded benefit obligations; management is assisted by external advisers in this regard.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding minority interests, and the level of dividends to ordinary shareholders.

The Board encourages employees to hold shares in the Company through the Group's savings related share option schemes. At present, employees, including executive directors, hold 0.2 per cent (2009: 0.3 per cent) of ordinary shares, or four per cent (2009: 3.1 per cent assuming that all outstanding options vest or are exercised.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on shareholders' equity of between 10 and 15 per cent; in 2010 the return was 28.8 per cent (2009: negative 14.4 per cent). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 2.4 per cent (2009: 2.0 per cent).

	2010 $million	2009 $million
Recognised in profit or loss		
Interest income on bank deposits	**0.4**	0.6
Other	**–**	0.6
Financial income	**0.4**	1.2
Net change in fair value of cash flow hedges transferred from equity	**0.3**	(10.4)
Net change in fair value of cash flow hedges treated as exceptional	**–**	(14.3)
Interest on bank loan	**(3.7)**	(3.1)
Net pension interest	**1.9**	(6.0)
Financial costs	**(1.5)**	(33.8)
Net financial costs	**(1.1)**	(32.6)

None of the above relates to financial assets or liabilities held at fair value through profit or loss.

	2010 $million	2009 $million
Recognised directly in equity		
Effective portion of changes in fair value of cash flow hedge	**0.9**	(0.5)
Fair value of cash flow hedges transferred to income statement	**0.5**	29.2
Effective portion of change in fair value of net investment hedge	**(4.8)**	18.0
Foreign currency translation differences for foreign operations	**12.1**	(16.5)
Recognised in		
Hedging reserve	**1.4**	28.7
Translation reserve	**7.3**	1.5

Derivatives used for hedging included within current assets amounted to $0.9 million at 31 December 2010 (2009: $4.5 million within current liabilities).

22 Financial risk management (continued)

Loans and borrowings

	2010 $million	2009 $million
Current liabilities		
Unsecured bank loan	4.4	17.3
Secured bank loan	2.6	0.6
Non-current liabilities		
Unsecured bank loan	105.0	114.3
Secured bank loan	8.1	2.9

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Year of maturity	Face value $million	2010 Carrying amount $million	Face value $million	2009 Carrying amount $million
Unsecured bank loan	Multi	2014	105.3	105.0	114.6	114.3
Unsecured bank loan	USD	2011	4.4	4.4	13.5	13.5
Unsecured bank loan	RMB	2011	–	–	2.9	2.9
Unsecured bank loan	TWD	–	–	–	0.6	0.6
Unsecured bank loan	EURO	2011	–	–	0.2	0.2
Secured bank loan	USD	2011	0.5	0.5	0.1	0.1
Secured bank loan	TWD	2013-2017	10.2	10.2	3.5	3.5
Total interest-bearing liabilities			120.4	120.1	135.4	135.1

The multi-currency unsecured bank facility bears interest at Libor of the currency drawn down plus a margin based on the Group's net borrowings: earnings before interest, tax, depreciation and amortisation (EBITDA). The remaining loans bear interest at interest rates of between 2.4 per cent and 3.8 per cent. The secured bank loans are secured against land and buildings in Taiwan with a carrying value of $10.7million.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount 2010 $million	2009 $million
Trade receivables	100.9	92.9
Cash and cash equivalents	40.8	28.8
	141.7	121.7

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	Carrying amount 2010 $million	2009 $million
North America	23.7	22.5
Europe	37.9	31.2
Rest of World	39.3	39.2
	100.9	92.9

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2010 $million	Impairment 2010 $million	Gross 2009 $million	Impairment 2009 $million
Not past due	94.7	(1.2)	83.6	(1.9)
Past due 0-30 days	6.5	–	10.0	(0.2)
Past due 31-120 days	1.1	(0.2)	1.6	(0.2)
Total	102.3	(1.4)	95.2	(2.3)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010 $million	2009 $million
Balance at 1 January	**2.3**	2.4
Impairment loss recognised	**(0.9)**	(0.1)
Balance at 31 December	**1.4**	2.3

The impairment loss recognised in the year relates to customers primarily of Elementis Chromium who, due to their payment history and geographical location, are assessed as having a higher exposure to credit risk than is acceptable. A provision is therefore deemed to be appropriate.

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	31 December 2010				
	Carrying amount $million	Contractual cash flows $million	6 months or less $million	6-12 months $million	1 year or more $million
Non-derivative financial liabilities:					
Unsecured bank loan	**109.4**	**(109.7)**	**(105.3)**	**(4.4)**	**–**
Secured bank loan	**10.7**	**(10.7)**	**(0.5)**	**(2.1)**	**(8.1)**
Trade and other payables*	**52.5**	**(52.5)**	**(52.5)**	**–**	**–**
	172.6	**(172.9)**	**(158.3)**	**(6.5)**	**(8.1)**

	31 December 2009				
	Carrying amount $million	Contractual cash flows $million	6 months or less $million	6-12 months $million	1 year or more $million
Non-derivative financial liabilities:					
Unsecured bank loan	131.6	(131.8)	(131.8)	–	–
Secured bank loan	3.5	(3.6)	–	(0.3)	(3.3)
Trade and other payables*	49.0	(49.0)	(49.0)	–	–
Derivative financial liabilities:					
Forward exchange contracts used for hedging					
Outflow	4.5	(58.6)	(44.9)	(10.3)	(3.4)
Inflow	–	54.1	40.7	10.0	3.4
	188.6	(188.9)	(185.0)	(0.6)	(3.3)

* Excludes derivatives

Bank loans have been drawn under committed facilities and can be refinanced on maturity from the same facilities. The contractual maturities indicated reflect the maturing of the loans rather than the end date of the facilities.

22 Financial risk management (continued)

Cash flow hedges

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

	2010 Carrying amount $million	2010 Expected cash flows $million	2010 6 months or less $million	2010 6-12 months $million	2010 1-2 years $million	2009 Carrying amount $million	2009 Expected cash flows $million	2009 6 months or less $million	2009 6-12 months $million	2009 1-2 years $million
Forward exchange contracts:										
Assets	0.2	38.8	15.1	17.8	5.9	–	54.1	40.7	10.0	3.4
Liabilities	–	(38.6)	(15.0)	(17.7)	(5.9)	(4.5)	(58.6)	(44.9)	(10.3)	(3.4)
Interest rate swaps:										
Assets	0.7	2.7	0.4	0.4	1.9	–	–	–	–	–
Liabilities	–	(2.0)	(0.3)	(0.3)	(1.4)	–	–	–	–	–
	0.9	0.9	0.2	0.2	0.5	(4.5)	(4.5)	(4.2)	(0.3)	–

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact the income statement:

	2010 Carrying amount $million	2010 Expected cash flows $million	2010 6 months or less $million	2010 6-12 months $million	2010 1-2 years $million	2009 Carrying amount $million	2009 Expected cash flows $million	2009 6 months or less $million	2009 6-12 months $million	2009 1-2 years $million
Forward exchange contracts:										
Assets	0.2	35.6	17.8	17.8	–	–	20.1	10.0	10.1	–
Liabilities	–	(35.4)	(17.7)	(17.7)	–	(0.5)	(20.6)	(10.3)	(10.3)	–
Interest rate swaps:										
Assets	0.7	2.7	0.4	0.4	1.9	–	–	–	–	–
Liabilities	–	(2.0)	(0.3)	(0.3)	(1.4)	–	–	–	–	–
	0.9	0.9	0.2	0.2	0.5	(0.5)	(0.5)	(0.3)	(0.2)	–

Currency risk

Exposure to currency risk

The Group's exposure to currency risk was as follows based on notional amounts:

	2010 USD $million	2010 Euro $million	2010 Other $million	2009 USD $million	2009 Euro $million	2009 Other $million
Trade receivables	53.8	31.5	15.6	40.7	34.1	18.1
Trade payables	(22.3)	(13.3)	(9.0)	(13.9)	(18.8)	(9.0)
Gross balance sheet exposure	31.5	18.2	6.6	26.8	15.3	9.1
Estimated forecast sales	375.4	244.1	111.4	308.6	198.4	95.3
Estimated forecast purchases	(299.4)	(190.2)	(132.1)	(273.3)	(160.8)	(112.0)
Gross exposure	–	72.1	(14.1)	–	52.9	(7.6)
Forward exchange contracts	–	(35.4)	–	–	(20.6)	–
Net exposure	–	36.7	(14.1)	–	32.3	(7.6)

The main exchange rates relevant to the Group are set out in the Business review on page 12.

Sensitivity analysis
A 10 per cent strengthening of USD against the following currencies at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity $million	Profit or loss $million
31 December 2010		
GBP	**1.7**	**2.5**
Euro	**(2.3)**	**(4.1)**
RMB	**(5.9)**	**1.1**
31 December 2009		
GBP	(10.7)	4.4
Euro	(1.9)	(4.3)
RMB	(4.9)	(0.9)

A 10 per cent strengthening of USD against all currencies will have increased/(decreased) the carrying amount of variable rate instruments as follows:

	Carrying amount	
	2010 $million	2009 $million
Variable rate instruments		
Financial liabilities	**(1.0)**	(0.7)

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2010		2009	
		Profit or loss		Profit or loss
	100bp increase $million	**100bp decrease $million**	100bp increase $million	100bp decrease $million
Variable rate instruments	**(1.1)**	**1.1**	(1.4)	1.4

Fair values
Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet, are as follows:

	31 December 2010		31 December 2009	
	Carrying amount $million	**Fair value $million**	Carrying amount $million	Fair value $million
Trade and other receivables	**105.5**	**105.5**	98.1	98.1
Cash and cash equivalents	**40.8**	**40.8**	28.8	28.8
Derivate contracts used for hedging:				
Assets	**0.9**	**0.9**	–	–
Liabilities	**–**	**–**	(4.5)	(4.5)
Unsecured bank facility	**(109.4)**	**(109.7)**	(131.5)	(131.8)
Secured bank loan	**(10.7)**	**(10.7)**	(3.6)	(3.6)
Trade and other payables*	**(95.3)**	**(95.3)**	(82.3)	(82.3)
	(68.2)	**(68.5)**	(95.0)	(95.3)
Unrecognised gain/(loss)	**–**	**(0.3)**	–	(0.3)

* Excludes derivatives

22 Financial risk management (continued)

Basis for determining fair values

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly.

Level 3: Valuation techniques using significant unobservable inputs.

	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
31 December 2010				
Trade and other receivables	–	–	105.5	105.5
Cash and cash equivalents	40.8	–	–	40.8
Derivative contracts used for hedging	0.9	–	–	0.9
Unsecured bank facility	(109.7)	–	–	(109.7)
Secured bank loan	(10.7)	–	–	(10.7)
Trade and other payables*	–	–	(95.3)	(95.3)
	(78.7)	**–**	**10.2**	**(68.5)**
31 December 2009				
Trade and other receivables	–	–	98.1	98.1
Cash and cash equivalents	28.8	–	–	28.8
Derivative contracts used for hedging	(4.5)	–	–	(4.5)
Unsecured bank facility	(131.8)	–	–	(131.8)
Secured bank loan	(3.6)	–	–	(3.6)
Trade and other payables*	–	–	(82.3)	(82.3)
	(111.1)	–	15.8	(95.3)

* Excludes derivatives

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives (level1)
The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest (based on government bonds).

Non-derivatives financial liabilities (level2)
Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables (level3)
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate constant credit spread, and were as follows:

	2010 per cent	2009 per cent
Derivatives	**4.1**	4.1
Borrowings	**2.4 – 3.8**	0.8 – 4.4

23 Operating leases

	2010 $million	2009 $million
Minimum lease payments under operating leases recognised as an expense in the year	**3.9**	3.7

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2010 $million	2009 $million
Within one year	**2.4**	0.6
In the second to fifth years inclusive	**7.5**	6.6
After five years	**22.4**	2.6
	32.3	9.8

Operating lease payments represent rentals payable by the Group for certain of its properties, plant and machinery. Leases have varying terms and renewal rights.

24 Retirement benefit obligations

The Group has a number of contributory and non-contributory post retirement benefit plans providing retirement benefits for the majority of employees and executive directors. The main schemes in the UK, US and the Netherlands are 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 Group balance sheet. In addition the Group operates an unfunded post-retirement medical benefit ("PRMB") scheme in the US. The entitlement to these benefits is usually based on the employee remaining in service until retirement age and completion of a minimum service period.

A full actuarial valuation was carried out on 30 September 2008 for the UK scheme and at 31 December 2009 for the US and Netherlands schemes. The UK actuarial valuation has been updated to 31 December 2010 for inclusion within this Annual Report. The assumed life expectancies on retirement are:

	UK		US		Netherlands	
	2010 years	2009 years	2010 years	2009 years	2010 years	2009 years
Retiring at 31 December 2010						
Males	**21**	20	**19**	19	**19**	19
Females	**23**	23	**21**	21	**21**	21
Retiring in 20 years						
Males	**24**	22	**21**	21	**19**	19
Females	**25**	24	**22**	22	**21**	21

The principal assumptions used by the actuaries were as follows:

	UK per cent	US per cent	Netherlands per cent
2010			
Rate of increase in salaries	**4.60**	**3.45**	**2.00**
Rate of increase in pensions in payment	**3.50**	**N/A**	**N/A**
Discount rate	**5.40**	**5.75**	**4.75**
Inflation	**3.60**	**3.00**	**2.00**
2009			
Rate of increase in salaries	4.60	3.45	2.00
Rate of increase in pensions in payment	3.50	N/A	N/A
Discount rate	5.50	6.25	5.25
Inflation	3.60	3.25	2.00
2008			
Rate of increase in salaries	3.80	3.45	2.00
Rate of increase in pensions in payment	2.80	N/A	0.25
Discount rate	6.40	6.25	5.75
Inflation	2.80	3.25	2.00

24 Retirement benefit obligations (continued)

The main assumptions for the PRMB scheme are a discount rate of 5.75 per cent (2009: 6.25 per cent) per annum and a health care cost trend of 7.0 per cent (2009: 10.0 per cent) per annum for claims pre age 65 reducing to 4.5 per cent per annum by 2018 (2009: 4.5 per cent). Actuarial valuations of retirement benefit plans in other jurisdictions have either not been updated for IAS 19 purposes or disclosed separately because of the costs involved and the considerably smaller scheme sizes and numbers of employees involved.

Following recent announcements by the Government that it intends to use CPI as the "statutory rate" for pension purposes, liabilities within the UK pension scheme were positively impacted by $11.7 million as CPI will be the basis in the future for revaluing deferred pensions rather than RPI.

The expected rates of return and assets of the defined benefit retirement benefit plans were:

	Equities per cent	Gilts per cent	Bonds per cent	Cash and insured annuities per cent	Total
2010					
Long term rate of return					
UK	**7.50**	**4.10**	**5.40**	**4.10**	**–**
US	**8.50**	**–**	**6.00**	**–**	**–**
Netherlands	**–**	**–**	**4.75**	**–**	**–**

	$million	$million	$million	$million	$million
Asset value					
UK	**307.5**	**101.5**	**102.1**	**137.0**	**648.1**
US	**63.6**	**–**	**21.7**	**0.4**	**85.7**
Netherlands	**–**	**–**	**44.3**	**–**	**44.3**
Total	**371.1**	**101.5**	**168.1**	**137.4**	**778.1**

	Equities per cent	Gilts per cent	Bonds per cent	Cash and insured annuities per cent	Total
2009					
Long term rate of return					
UK	7.50	4.30	5.60	4.40	–
US	8.50	–	6.00	–	–
Netherlands	–	–	5.25	–	–

	$million	$million	$million	$million	$million
Asset value					
UK	291.3	97.7	151.2	81.9	622.1
US	53.6	–	20.4	0.5	74.5
Netherlands	–	–	40.4	–	40.4
Total	344.9	97.7	212.0	82.4	737.0

The net liability was as follows:

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Netherlands pension scheme $million	Total $million
2010					
Total market value of assets	**648.1**	**85.7**	**–**	**44.3**	**778.1**
Present value of scheme liabilities	**(677.0)**	**(111.9)**	**(8.2)**	**(45.7)**	**(842.8)**
Net liability recognised in the balance sheet	**(28.9)**	**(26.2)**	**(8.2)**	**(1.4)**	**(64.7)**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Netherlands pension scheme $million	Total $million
2009					
Total market value of assets	622.1	74.5	–	40.4	737.0
Present value of scheme liabilities	(691.5)	(105.8)	(8.1)	(42.2)	(847.6)
Net liability recognised in the balance sheet	(69.4)	(31.3)	(8.1)	(1.8)	(110.6)

The net pension liability in respect of pension schemes in other jurisdictions at 31 December 2010 was $2.7 million (2009: $1.1 million).

The following amounts have been recognised in the performance statements:

	UK pension scheme $million	**US pension schemes $million**	**US PRMB scheme $million**	**Netherlands pension scheme $million**	**Total $million**
2010					
Consolidated income statement					
Current service cost	**(0.8)**	**(0.3)**	**(0.1)**	**(0.6)**	**(1.8)**
Expected return on pension scheme assets	**35.7**	**5.5**	**–**	**1.7**	**42.9**
Interest on pension scheme liabilities	**(35.6)**	**(6.4)**	**(0.5)**	**(2.3)**	**(44.8)**
Net finance income/(charge)	**0.1**	**(0.9)**	**(0.5)**	**(0.6)**	**(1.9)**
Curtailment gains	**0.5**	**–**	**–**	**–**	**0.5**
Net income statement	**(0.2)**	**(1.2)**	**(0.6)**	**(1.2)**	**(3.2)**
Other comprehensive income					
Actual return less expected return on pension scheme assets	**37.1**	**5.6**	**–**	**3.6**	**46.3**
Experience gains and losses arising on scheme liabilities	**9.1**	**(6.4)**	**(0.5)**	**1.1**	**3.3**
Changes in assumptions underlying the present value of scheme liabilities	**(18.8)**	**–**	**–**	**(4.7)**	**(23.5)**
Actuarial gain/(loss) recognised	**27.4**	**(0.8)**	**(0.5)**	**–**	**26.1**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Netherlands pension scheme $million	Total $million
2009					
Consolidated income statement					
Current service cost	(1.4)	(0.3)	(0.1)	(0.7)	(2.5)
Expected return on pension scheme assets	30.9	4.7	–	2.1	37.7
Interest on pension scheme liabilities	(34.4)	(6.4)	(0.5)	(2.3)	(43.6)
Net finance income charge	(3.5)	(1.7)	(0.5)	(0.2)	(5.9)
Exceptional past service credit	8.5	–	–	–	8.5
Curtailment gains	0.6	–	–	–	0.6
Net income statement	4.2	(2.0)	(0.6)	(0.9)	0.7
Other comprehensive income					
Actual return less expected return on pension scheme assets	53.5	12.5	–	1.5	67.5
Experience gains and losses arising on scheme liabilities	1.8	(0.9)	–	0.8	1.7
Changes in assumptions underlying the present value of scheme liabilities	(118.2)	–	–	(2.0)	(120.2)
Actuarial gain/(loss) recognised	(62.9)	11.6	–	0.3	(51.0)

In addition to the current service cost above, $1.4 million (2009: $1.4 million) was charged to the income statement in respect of defined contribution schemes and smaller defined benefit schemes.

24 Retirement benefit obligations (continued)

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

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Netherlands pension scheme $million	Total $million
2010					
Opening defined benefit obligation	**(691.5)**	**(105.8)**	**(8.1)**	**(42.2)**	**(847.6)**
Service cost	**(0.8)**	**(0.3)**	**(0.1)**	**(0.6)**	**(1.8)**
Interest cost	**(35.6)**	**(6.4)**	**(0.5)**	**(2.3)**	**(44.8)**
Contributions by employees	**(0.2)**	**–**	**–**	**(0.7)**	**(0.9)**
Actuarial losses	**(9.7)**	**(6.4)**	**(0.5)**	**(3.8)**	**(20.4)**
Benefits paid	**39.3**	**7.0**	**1.0**	**1.2**	**48.5**
Curtailment and settlements	**0.5**	**–**	**–**	**–**	**0.5**
Exchange differences	**21.0**	**–**	**–**	**2.7**	**23.7**
Closing defined benefit obligation	**(677.0)**	**(111.9)**	**(8.2)**	**(45.7)**	**(842.8)**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Netherlands pension scheme $million	Total $million
2009					
Opening defined benefit obligation	(520.2)	(106.4)	(8.6)	(37.4)	(672.6)
Service cost	(1.4)	(0.3)	(0.1)	(0.7)	(2.5)
Interest cost	(34.4)	(6.4)	(0.5)	(2.3)	(43.6)
Contributions by employees	(0.3)	–	–	(0.7)	(1.0)
Actuarial losses	(116.5)	(0.8)	–	(1.3)	(118.6)
Benefits paid	38.5	8.1	1.1	1.4	49.1
Exceptional past service credit	8.5	–	–	–	8.5
Curtailments and settlements	0.6	–	–	–	0.6
Exchange differences	(66.3)	–	–	(1.2)	(67.5)
Closing defined benefit obligation	(691.5)	(105.8)	(8.1)	(42.2)	(847.6)

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

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Netherlands pension scheme $million	Total $million
2010					
Opening fair value of plan assets	**622.1**	**74.5**	**–**	**40.4**	**737.0**
Expected return	**35.7**	**5.5**	**–**	**1.7**	**42.9**
Actuarial gains	**37.1**	**5.6**	**–**	**3.8**	**46.5**
Contributions by employer	**11.0**	**7.1**	**–**	**1.4**	**19.5**
Contributions by employees	**0.2**	**0.1**	**–**	**0.7**	**1.0**
Benefits paid	**(39.3)**	**(7.1)**	**–**	**(1.2)**	**(47.6)**
Exchange differences	**(18.7)**	**–**	**–**	**(2.5)**	**(21.2)**
Closing fair value of plan assets	**648.1**	**85.7**	**–**	**44.3**	**778.1**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Netherlands pension scheme $million	Total $million
2009					
Opening fair value of plan assets	501.9	64.8	–	35.9	602.6
Expected return	30.9	4.7	–	2.0	37.6
Actuarial gains	53.5	12.4	–	1.5	67.4
Contributions by employer	11.6	0.7	–	0.8	13.1
Contributions by employees	0.3	–	–	0.8	1.1
Benefits paid	(38.5)	(8.1)	–	(1.4)	(48.0)
Exchange differences	62.4	–	–	0.8	63.2
Closing fair value of plan assets	622.1	74.5	–	40.4	737.0

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Netherlands pension scheme $million	Total $million
2010					
Movement in deficit during the year					
Deficit in schemes at 1 January	**(69.4)**	**(31.3)**	**(8.1)**	**(1.8)**	**(110.6)**
Current service cost	**(0.8)**	**(0.3)**	**(0.1)**	**(0.6)**	**(1.8)**
Contributions	**11.0**	**7.1**	**1.0**	**1.4**	**20.5**
Net interest income/(expense)	**0.1**	**(0.9)**	**(0.5)**	**(0.6)**	**(1.9)**
Actuarial gain/(loss)	**27.4**	**(0.8)**	**(0.5)**	**–**	**26.1**
Curtailments and settlements	**0.5**	**–**	**–**	**–**	**0.5**
Currency translation differences	**2.3**	**–**	**–**	**0.2**	**2.5**
Deficit in schemes at 31 December	**(28.9)**	**(26.2)**	**(8.2)**	**(1.4)**	**(64.7)**

Employer contributions in 2010 were $11.0 million (2009: $11.6 million) to UK schemes; $8.1 million (2009: $0.7 million) to US schemes and $1.4 million (2009: $0.8 million) in respect of the Netherlands scheme. Contributions in 2010 at current exchange rates for these schemes are expected to be $23.1 million.

24 Retirement benefit obligations (continued)

Year ended 31 December 2010

	UK	US	Netherlands	Total
Difference between expected and actual return on scheme assets				
Amount ($million)	37.1	5.6	3.6	46.3
Percentage of scheme assets	5.7%	6.5%	8.1%	6.0%
Experience gains and losses on scheme liabilities				
Amount ($million)	9.1	(6.9)	1.1	3.3
Percentage of scheme assets	1.4%	(8.1)%	2.5%	0.4%
Total amount recognised in statement of recognised income and expense				
Amount ($million)	27.4	(1.3)	–	26.1
Percentage of scheme assets	4.2%	(1.5)%	–	3.4%

Year ended 31 December 2009

	UK	US	Netherlands	Total
Difference between expected and actual return on scheme assets				
Amount ($million)	53.5	12.5	1.5	67.5
Percentage of scheme assets	8.6%	16.8%	3.7%	9.2%
Experience gains and losses on scheme liabilities				
Amount ($million)	1.8	(0.9)	0.8	1.7
Percentage of scheme assets	0.3%	(1.2)%	2.0%	0.2%
Total amount recognised in statement of recognised income and expense				
Amount ($million)	(62.9)	11.6	0.3	(51.0)
Percentage of scheme assets	(10.1)%	15.6%	0.7%	(6.9)%

Year ended 31 December 2008

	UK	US	Netherlands	Total
Difference between expected and actual return on scheme assets				
Amount ($million)	(72.8)	(39.1)	(2.8)	(114.7)
Percentage of scheme assets	(11.0)%	(46.0)%	(6.0)%	(14.5)%
Experience gains and losses on scheme liabilities				
Amount ($million)	(17.0)	1.9	1.3	(13.8)
Percentage of scheme assets	(2.6)%	2.2%	2.8%	(1.7)%
Total amount recognised in statement of recognised income and expense				
Amount ($million)	(11.6)	(37.2)	0.6	(48.2)
Percentage of scheme assets	(1.7)%	(43.8)%	1.2%	(6.1)%

Historical summary

$million	2010	2009	2008	2007	2006
Present value of scheme liabilities	(842.8)	(847.6)	(672.6)	(940.5)	(948.8)
Fair value of plan assets	778.1	737.0	602.6	899.1	877.1
Deficit in the plan	(64.7)	(110.6)	(70.0)	(41.4)	(71.7)
Experience adjustments arising on plan liabilities	3.3	1.7	(13.8)	(2.2)	11.4
Experience adjustments arising on plan assets	46.3	67.5	(114.7)	(17.4)	7.5

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increased/decreased by 0.5 per cent	Decreased/increased/by 6 per cent
Rate of inflation	Increased/decreased by 0.5 per cent	Increased/decreased by 4 per cent
Rate of salary growth	Increased/decreased by 0.5 per cent	Increased/decreased by 1 per cent
Rate of mortality	Increased by 1 year	Increased by 3 per cent

25 Share based payments

The Company has several share option schemes for certain directors and employees of the Group.

The Company has since 1998 operated an approved and unapproved, discretionary executive share option scheme for executive directors and other senior and middle managers in the Group. Under the current 2003 scheme, which replaced the 1998 scheme, the option price is the market price of a share on the dealing day immediately preceding the day on which the option is granted with no discount applied. Options are ordinarily capable of exercise after three years, subject to earnings per share and total shareholder return performance targets being met, and within ten years of the date of the grant.

The 1998 and 2008 UK Savings-Related Share Option Schemes are schemes under which UK employees can enter into savings contracts with a building society or a bank for a period of three or five years and use the proceeds from their savings accounts to purchase shares in the Company on the exercise of their options. The option price is the average market price over the five working days preceding the invitation date discounted by a maximum of 20 per cent. The 1998 scheme expired in 2008, although options are still outstanding under that scheme, and was replaced by the 2008 scheme.

The 2000 and 2008 US Savings-Related Share Option Schemes are schemes under which US employees can enter into savings contracts with a bank for a period of two years and use the proceeds from their savings accounts to purchase shares in the Company on the exercise of their options. The option price is the market price on the date of the grant, discounted by 15 per cent. The 2000 scheme expired in 2008, and was replaced by the 2008 scheme.

Options were valued using the binomial option pricing model. The fair value per option granted and the assumptions used in the calculations are as follows:

	2010	2009
Fair value per option (pence)	**34.6**	10.5
Expected volatility (per cent)	**58.0**	49.0
Risk free rate (per cent)	**2.5**	1.8
Expected dividend yield (per cent)	**4.4**	5.0

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Group recognised total expenses of $1.4 million (2009: $0.9 million) related to equity-settled share based payment transactions during the year which includes awards made under the long term incentive plan (as amended in 2010) as shown in the table overleaf.

The table overleaf shows all outstanding options granted under the executive and savings related share option schemes.

The Company also made a grant of awards in 2008 under the long term incentive plan ("2008 LTIP") were made to four senior executives that owing to the nature of the awards have not been shown in the table overleaf but are set out on page 38 of the Directors' remuneration report. The 2008 LTIP awards were valued using the binomial method and an IFRS 2 expense of $0.5 million (2009: $0.5 million) was recognised.

25 Share based payments (continued)

At 31 December 2010 the following options to subscribe for ordinary shares were outstanding:

Year of grant	Exercise price (p)	Exercisable From	Exercisable To	At 1 January 2010 '000	Granted '000	Exercised '000	Expired '000	At 31 December 2010 '000
UK savings-related share option scheme								
2005	44.1	01/06/10	30/11/10	44	–	(16)	(28)	–
2006	67.0	01/06/11	30/11/11	14	–	–	(4)	10
2007	71.1	01/06/10	30/11/10	65	–	(17)	(48)	–
2007	71.1	01/06/12	30/11/12	10	–	–	–	10
2008	69.0	01/10/11	31/03/12	105	–	(2)	(47)	56
2008	69.0	01/10/13	31/03/14	33	–	–	(24)	9
2009	35.5	01/10/12	31/03/13	988	–	(117)	(420)	451
2009	35.5	01/10/14	31/03/15	47	–	–	–	47
2010	69.3	01/10/13	31/03/14	–	95	–	–	95
2010	69.3	01/10/15	31/03/16	–	7	–	–	7
				1,306	102	(152)	(571)	685
US savings-related share option scheme								
2008	72.3	27/08/10	27/11/10	207	–	(179)	(28)	–
2009	42.5	27/08/11	27/11/11	481	–	(7)	(33)	441
2010	76.7	27/08/12	27/11/12	–	356	–	–	356
				688	356	(186)	(61)	797
Executive share option plans/ Options granted under the Long term incentive plan (2010)*								
2000	69.5	31/03/03	31/03/10	107	–	–	(107)	–
2001	97.9	07/03/04	07/03/11	282	–	(282)	–	–
2002	29.0	10/04/05	10/04/12	45	–	(45)	–	–
2003	24.8	29/04/06	29/04/13	25	–	–	–	25
2004	35.0	23/04/07	23/04/14	135	–	–	(20)	115
2005	51.2	30/03/08	30/03/15	994	–	(97)	–	897
2005	64.5	02/11/08	02/11/15	700	–	(200)	–	500
2006	85.5	04/04/09	04/04/16	2,029	–	(242)	(770)	1,017
2007	88.0	15/05/10	15/05/17	2,193	–	–	(2,193)	–
2008	71.3	28/04/11	28/04/18	1,132	–	–	(9)	1,123
2009	29.5	25/03/12	25/03/19	4,112	–	–	(32)	4,080
2009	25.3	29/04/12	29/04/19	100	–	–	–	100
2010	57.0	06/04/13	06/04/20	–	2,669	–	(21)	2,648
2010*	Nil	22/04/13	22/04/20	–	3,001	–	–	3,001
				11,854	5,670	(866)	(3,152)	13,506

The weighted average exercise price of options was as follows:

	2010 Average exercise price (p)	2009 Average exercise price (p)
At 1 January	57.7	71.5
Granted	30.4	31.5
Exercised	72.2	23.2
Expired	78.7	60.7
At 31 December	40.0	57.7

The weighted average share price at the date of exercise of share options exercised during the year was 112 pence (2009: 44 pence).

26 Related party transactions

Transactions carried out with related parties and year end balances arising from those transactions are set out below:

	2010 $million	2009 $million
Sales of goods to associate	–	–
Receivable from associate	–	–

Goods are sold on the basis of an arm's length open market transaction.

The Company is a guarantor to the UK pension scheme under which it guarantees all current and future obligations of UK subsidiaries currently participating in the pension scheme to make payments to the scheme, up to a specified maximum amount. The maximum amount of the guarantee is that which is needed (at the time the guarantee is called on) to bring the scheme's funding level up to 105 per cent of its liabilities, calculated in accordance with section 179 of the Pensions Act 2004. This is also sometimes known as a Pension Protection Fund ("PPF") guarantee, as having such a guarantee in place reduces the annual PPF levy on the scheme.

27 Movement in net borrowings

	2010 $million	2009 $million
Change in net borrowings resulting from cash flows:		
Increase/(decrease) in cash and cash equivalents	**9.3**	(22.6)
Increase in borrowings repayable within one year	**11.8**	5.8
Decrease/(increase) in borrowings repayable after one year	**4.3**	(4.3)
	25.4	(21.1)
Currency translation differences	**1.6**	6.8
Decrease/(increase) in net borrowings	**27.0**	(14.3)
Net borrowings at beginning of year	**(106.3)**	(92.0)
Net borrowings at end of year	**(79.3)**	(106.3)

28 Dividends

An interim dividend of 2.3 cents per share (2009: 1.5 pence) was paid on 8 October 2010 and the Group is proposing a final dividend of 2.6 cents per share for the year ended 31 December 2010 (2009: 1.4 pence). This brings the total for the year to 4.9 cents per share (2009: 2.9 pence). The final dividend payable, based on the number of ordinary shares in issue at 31 December 2010, is $11.5 million (2009: $9.5 million).

29 Key management compensation

	2010 $million	2009 $million
Salaries and short term employee benefits	**4.1**	2.9
Other long term benefits	**0.6**	0.5
Share based payments	**1.1**	0.5
	5.8	3.9

The key management compensation given above is for the Board and the Divisional Managing Directors. Directors' remuneration is set out in the Directors' remuneration report on page 40.

30 Acquisitions

On 24 December 2009 the Group acquired substantially all of the trading assets of the Fanning Corporation and Fancor Ltd for cash consideration of $9.2 million. Fancor is one of the largest North American suppliers of lanolin and lanolin derivatives and its acquisition has expanded the Group's presence in the personal care market.

Because of the proximity of the acquisition date to the year end, a provisional fair valuing exercise was performed for the 2009 Annual Report using book values at the acquisition date. The difference between consideration paid and net assets acquired was allocated to goodwill. Following the fair valuing exercise and on the basis of the revised net asset values, the difference has been allocated to goodwill, brand and other intangibles. On account of the strength of the brand and the Group's intention to maintain it going forwards, the brand is treated as having an indefinite useful life. Other intangibles, which include customer lists, patents and non-compete clauses are being amortised over periods of five to ten years.

	Provisional estimate $million	Final assessment $million
Inventory	2.0	1.0
Trade receivables	1.4	1.4
Cash	–	0.3
Trade payables	(2.3)	(2.3)
	1.1	0.4
Goodwill	8.1	1.2
Intangible – Brand	–	2.8
Intangible – Other	–	5.2
Consideration paid and transactional expenses	9.2	9.6

31 Contingent liabilities

As is the case with other chemical companies, the Group occasionally receives notices of litigation relating to regulatory and legal matters. A provision is recognised when the Group believes it 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. Where it is deemed that an obligation is merely possible and that the probability of a material outflow is not remote, the Group would disclose a contingent liability.

Elementis LTP Inc. ("LTP") has been named as a defendant in chromium-related litigation currently pending in the State of Missouri (the "Missouri Litigation"). The Missouri Litigation developed into the following types of cases: (1) approximately a dozen cases involving over 180 individual plaintiffs alleging property and/or personal injury; (2) a class action seeking property damages for an unspecified number of putative class members; and (3) a class action seeking medical monitoring damages for putative class members who live in a four county area. Between December 2010 and January 2011, three of the individual plaintiff cases (described in clause (1) above) involving approximately 130 individual plaintiffs and the medical monitoring class action (described in clause (3) above) were voluntarily dismissed. In the remaining cases, the plaintiffs allege exposure to a chromium compound as the result of processes utilised by a tannery in St. Joseph, Missouri that was owned by Prime Tanning, Corp. ("Prime Tanning"). LTP has been named as the procurer of sodium dichromate for another defendant, Wismo Chemical Corp. ("Wismo"). Wismo was located onsite at the tannery and was in the business of converting sodium dichromate (upon delivery by LTP) into chromium sulphate – a chemical agent that is commonly used in the tanning of hides. Wismo, in turn, sold the chromium sulphate to Prime Tanning. 50 per cent of the shares of Wismo had been owned by LTP, its affiliates or its predecessors, but such shares were sold to Prime Tanning prior to LTP being named as a defendant in the Missouri Litigation proceedings.

Management, after consultation with legal counsel, has concluded that the proceedings are unlikely to be adversely determined against LTP and thus would not reasonably be expected to have a material impact on the Group's financial position. None of the proceedings is scheduled to go to trial before the beginning of 2012.

PARENT COMPANY STATUTORY ACCOUNTS

The Group is required to present a separate balance sheet for the parent company, Elementis plc, which continues to adopt UK generally accepted accounting principles. Its accounting policies are set out in Note 1 overleaf and its balance sheet is set out below.

ELEMENTIS plc

Balance Sheet
at 31 December 2010

	Note	2010 $million	2009 $million
Fixed assets			
Investments	3	**640.1**	590.1
Current assets			
Debtors	4	**0.5**	–
Creditors: amounts falling due within one year			
Creditors	5	**(0.2)**	(0.2)
Net current assets /(liabilities)		**0.3**	(0.2)
Total assets less current liabilities		**640.4**	589.9
Creditors: amounts falling due after more than one year			
Amounts due to subsidiary undertakings		**(271.2)**	(256.7)
Net assets		**369.2**	333.2
Capital and reserves			
Called up share capital	7	**22.4**	22.4
Share premium account	8	**6.1**	5.8
Capital redemption reserve	8	**83.3**	83.3
Other reserves	8	**81.5**	81.5
Share option reserve	8	**1.9**	1.8
Profit and loss account	8	**174.0**	138.4
Equity shareholders' funds		**369.2**	333.2

The financial statements of Elementis plc on pages 83 to 86 were approved by the Board on 1 March 2011 and signed on its behalf by:

David Dutro
Group Chief Executive

Brian Taylorson
Finance Director

NOTES TO THE FINANCIAL STATEMENTS OF ELEMENTIS PLC

FOR THE YEAR ENDED 31 DECEMBER 2010

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The Company's financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its profit and loss account. As the Company's voting rights are controlled within the Group headed by Elementis plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group (or investees of the Group qualifying as related parties).

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Investments

Investments in group undertakings are included in the balance sheet at cost, or if lower, directors' valuation.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Pensions and other post-retirement benefits

The Company participates in the Elementis Group defined benefit pension scheme. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and as required by FRS 17, it has treated the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable for the year.

Taxation

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes that have originated but not reversed at the balance sheet date, except as otherwise required by FRS 19. Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Share based payments

The fair value of share options granted to employees is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that the 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.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2 Profit for the financial year attributable to shareholders

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. A profit of £48.1 million (2009: £0.6 million loss) is dealt with in the financial statements of the Company. The profit for the year is made up of a £50 million credit from the partial reversal of the impairment of investments offset by a loss of £1.9 million.

3 Investments

	Unlisted shares at cost £million	Unlisted loans £million	Total £million
Cost at 1 January 2010 and 31 December 2010	**0.1**	**759.0**	**759.1**
Provision for impairment			
At 1 January 2010	**–**	**(169.0)**	**(169.0)**
Reversal of impairment	–	50.0	50.0
At 31 December 2010	–	(119.0)	(119.0)
Net book value 31 December 2010	**0.1**	**640.0**	**640.1**
Net book value 31 December 2009	0.1	590.0	590.1

The investment in unlisted loans is with Elementis Holdings Limited, an indirect wholly owned subsidiary. The £50 million reversal of provision for impairment was made following a directors' valuation of the subsidiary undertaking using a discounted cash flow methodology. The investment in unlisted shares is in Elementis Group BV, a wholly owned subsidiary.

The principal subsidiaries of Elementis plc are as follows:

Subsidiary undertakings		Country of incorporation and operation
Elementis Chromium LLP	Chromium chemicals	United Kingdom
Elementis UK Limited trading as: Elementis Specialties	Rheological additives, colourants, waxes, other specialty additives	United Kingdom
Elementis Chromium Inc	Chromium chemicals	United States of America
America Chrome and Chemicals Inc.	Chromium chemicals	United States of America
Elementis Specialties Inc	Rheological additives, colourants, waxes, other specialty additives	United States of America
Elementis Germany Gmbh	Rheological additives, colourants, waxes, other specialty additives	Germany
Elementis Specialties (Changxing) Ltd	Rheological additives, colourants, waxes, other specialty additives	People's Republic of China
Elementis Specialties (Anji) Ltd	Organoclays	People's Republic of China
Elementis Specialties Netherlands BV	Surfactants and coatings additives	The Netherlands
Deuchem Co., Ltd	Additives and resins	Taiwan
Deuchem (Shanghai) Chemical Co. Ltd	Additives and resins	People's Republic of China

Notes:
1 None of the undertakings is held directly by the Company.
2 Equity capital is in ordinary shares, wholly-owned and voting rights equate to equity ownership.
3 All undertakings listed above have accounting periods ending 31 December.
4 Undertakings operating in the United Kingdom are incorporated in England and Wales. In the case of corporate undertakings other than in the United Kingdom their country of operation is also their country of incorporation.
5 All undertakings listed above have been included in the consolidated financial statements of the Group for the year.

4 Debtors

	2010 £million	2009 £million
Corporation tax	**0.5**	–

5 Creditors: amount falling due within one year

	2010 £million	2009 £million
Corporation tax	–	0.2
Accruals and deferred income	**0.2**	–

6 Retirement benefit obligations

The Company is a member of a multi-employer pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 "Retirement benefits", the scheme has been accounted for as if the scheme was a defined contribution scheme. The net deficit in the scheme at 31 December 2010 was £18.5 million (2009: £43.1 million).

6 Retirement benefit obligations (continued)

The latest full actuarial valuation was carried out at 30 September 2005 and was updated for FRS 17 purposes to 31 December 2010 by a qualified actuary. The contribution for the year was £0.1 million (2009: £0.1 million).

Details of a guarantee given by the Company in respect of current and future obligations of UK subsidiaries currently participating in the pension scheme are set out in Note 10 in the Company's financial statements.

7 Called up share capital

	2010 Number '000	2010 £million	2009 Number '000	2009 £million
Authorised:				
Ordinary shares of 5 pence each	**640,000**	**32.0**	640,000	32.0
Called-up allotted and fully paid:				
Ordinary shares of 5 pence each				
At 1 January	**448,123**	**22.4**	447,961	22.4
Issue of shares	**540**	**–**	162	–
At 31 December	**448,663**	**22.4**	448,123	22.4

During the year a total of 540,013 ordinary shares with an aggregate nominal value of £27,001 were allotted and issued for cash to various employees at subscription prices between 29 pence and 97.9 pence on the exercise of options under the Group's share option schemes. The total subscription monies received by the Company for these shares was £0.3 million. The holders of ordinary shares are entitled to receive dividends and entitled to one vote per share at meetings of the Company.

8 Reserves

	Share premium account £million	Capital redemption reserve £million	Other reserves £million	Share option reserve £million	Profit & loss account £million
At 1 January 2010	5.8	83.3	81.5	1.8	138.4
Retained profit for the year	–	–	–	–	48.1
Issue of shares	0.3	–	–	–	–
Share based payments	–	–	–	0.2	–
Transfer	–	–	–	(0.1)	0.1
Dividend paid	–	–	–	–	(12.6)
At 31 December 2010	**6.1**	**83.3**	**81.5**	**1.9**	**174.0**

9 Reconciliation of movements in shareholders' funds

	2010 £million	2009 £million
Profit/(loss) for the financial year	**48.1**	(0.6)
Dividends paid	**(12.6)**	(12.9)
Share based payments	**0.2**	0.2
Ordinary shares issued	**0.3**	–
Net decrease in shareholders' funds	**36.0**	(13.3)
Opening shareholders' funds	**333.2**	346.5
Closing shareholders' funds	**369.2**	333.2

Dividends paid include a one-time credit for £0.3 million relating to past dividends paid or declared that have remained unclaimed for more than 12 years and which have been forfeited in the year.

10 Related party transactions

The Company is a guarantor to the UK pension scheme under which it guarantees all current and future obligations of UK subsidiaries currently participating in the pension scheme to make payments to the scheme, up to a specified maximum amount. The maximum amount of the guarantee is that which is needed (at the time the guarantee is called on) to bring the scheme's funding level up to 105 per cent of its liabilities, calculated in accordance with section 179 of the Pensions Act 2004. This is also sometimes known as a Pension Protection Fund ("PPF") guarantee, as having such a guarantee in place reduces the annual PPF levy on the scheme.

FIVE YEAR RECORD

	2010 $million	2009 $million	2008 $million	2007 $million	2006 $million
Turnover					
Specialty Products	**410.8**	315.2	343.0	282.8	265.9
Surfactants	**88.1**	76.3	96.6	92.4	84.8
Chromium	**198.5**	172.2	317.3	224.4	205.0
Continuing operations	**697.4**	563.7	756.9	599.6	555.7
Discontinued operations	**–**	–	–	119.4	172.8
Group turnover	**697.4**	563.7	756.9	719.0	728.5
Operating profit					
Specialty Products	**71.8**	30.9	55.0	57.6	46.0
Surfactants	**6.1**	0.1	0.9	1.8	1.1
Chromium	**35.8**	13.9	52.4	28.4	21.9
Central costs	**(11.4)**	(8.7)	(10.0)	(11.6)	(11.0)
Continuing operations before exceptional items	**102.3**	36.2	98.3	76.2	58.0
Exceptional items	**–**	(76.7)	(38.8)	38.8	5.5
Discontinued operations	**–**	–	–	8.6	11.2
Profit/(loss) before interest	**102.3**	(40.5)	59.5	123.6	74.7
Net interest payable	**(6.3)**	(7.9)	(6.6)	(9.6)	(13.8)
Profit/(loss) before tax	**96.0**	(48.4)	52.9	114.0	60.9
Tax	**(21.9)**	(9.0)	(15.5)	(17.8)	(2.6)
Minority interests	**–**	–	–	(0.2)	(0.2)
Profit/(loss) attributable to equity holders of the parent	**74.1**	(57.4)	37.4	96.0	58.1

	2010 $million	2009 $million	2008 $million	2007 $million	2006 $million
Basic					
Earnings/(loss) per ordinary share (cents)	**16.7**	(12.9)	8.5	21.8	13.1
Earnings per ordinary share before exceptional items (cents)	**15.4**	4.3	17.2	16.2	12.5
Diluted					
Earnings/(loss) per ordinary share (cents)	**16.5**	(12.9)	8.5	21.6	12.9
Earnings per ordinary share before exceptional items (cents)	**15.2**	4.3	17.2	16.0	12.3
Dividend per ordinary share (cents)	**4.9**	4.5	5.5	5.0	4.2
Interest cover (times)*	**31.0**	14.5	20.0	6.7	4.6
Equity attributable to equity holders of the parent	**378.6**	286.3	385.9	457.6	390.7
Net borrowings	**(79.3)**	(106.3)	(92.0)	(32.2)	(197.2)
Weighted average number of ordinary shares in issue during the year (million)	**443.5**	443.3	442.6	441.9	439.4

* Ratio of operating profit before exceptional items to net interest on net borrowings

All figures shown in the prior year comparatives have been translated from pounds sterling to US dollars using the average exchange rate for the respective years.

SHAREHOLDER SERVICES

Internet
The Group operates a website which can be found at www.elementisplc.com. This site is frequently updated to provide you information about the Group and each of its operating divisions. In particular the Group's press releases and announcements can be found on the site together with copies of the Group's accounts.

Registrars
Enquiries concerning shares or shareholdings such as the loss of a share certificate, consolidation of share certificates, amalgamation of holdings or dividend payments should be made to the Company's registrars:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: 0871 384 2379 or +44 (0) 121 415 7043

Facsimile: 0871 384 2100 or +44 (0) 190 369 8403

Website: www.shareview.co.uk

Calls to the above numbers cost 8 pence per minute from a BT landline. Other telephone providers' costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.

In any correspondence with the registrars, please refer to Elementis plc and state clearly the registered name and address of the shareholder. Please notify the registrars promptly of any change of address.

Payment of Dividends
It is in the best interests of shareholders and the Company for dividends to be paid directly into bank or building society accounts. Any shareholder who wishes to receive dividends in this way should contact the Company's registrars to obtain a dividend mandate form.

Registrars' text phone
For shareholders with hearing difficulties:

Callers inside the UK telephone: 0871 384 2255

Callers outside the UK telephone: +44 (0) 121 415 7028

Web-based enquiry service
www.shareview.co.uk
Shareholders using this service to obtain details of their shareholdings are required to enter their name, postcode and shareholder reference number which can be found on correspondence from the registrars and also on share certificates.

Share dealing service
A low cost, execution-only share dealing service for the purchase and sale of Elementis plc shares is available from NatWest Stockbrokers. NatWest Stockbrokers is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange and PLUS. For details, please contact:

NatWest Stockbrokers
Premier Place
2½ Devonshire Square
London EC2M 4BA

Telephone: 0808 208 4433.

CORPORATE INFORMATION

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KPMG Audit Plc

Joint Corporate Brokers
RBS Hoare Govett Limited
Brewin Dolphin Ltd

FINANCIAL CALENDAR

1 March 2011	Preliminary announcement of final results for the year ended 31 December 2010
21 April 2011	Annual General Meeting and First Interim Management Statement
4 May 2011	Ex-dividend date for final dividend for 2010 payable on ordinary shares
6 May 2011	Record date for final dividend for 2010 payable on ordinary shares
3 June 2011	Payment of final dividend for 2010 on ordinary shares
2 August 2011*	Interim results announcement for the half year ended 30 June 2011
7 September 2011*	Ex-dividend date for interim dividend for 2011 payable on ordinary shares
9 September 2011*	Record date for interim dividend payable for 2011 on ordinary shares
7 October 2011*	Payment of interim dividend for 2011 on ordinary shares
28 October 2011*	Second Interim Management Statement
28 February 2012*	Preliminary announcement of final results for the year ending 31 December 2011

* Provisional dates

ANNUAL GENERAL MEETING

The Annual General Meeting of Elementis plc will be held on 21 April 2011 at 11.00am at The City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP. The Notice of Meeting is included in a separate document. Details of the ordinary and special business of the Annual General Meeting are contained within the Notice.

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