

Elementis Chromium Limited Liability Partnership

Report and accounts

for the year ended 31st December 2003

Partnership Number OC303465



Elementis Chromium Limited Liability Partnership

Report and accounts

for the year ended 31st December 2003

Contents

Members and Advisors for the year ended 31 st December 2003	1
Members' report for the year ended 31 st December 2003	2
Independent auditors' report to the members of 31 st December 2003	4
Profit and loss account for the year ended 31 st December 2003	6
Balance sheet as at 31 st December 2003	7
Accounting policies	8
Notes to the financial statements for the year ended 31 st December 2003	9

Elementis Chromium Limited Liability Partnership

Members and Advisors for the year ended 31st December 2003

Members

Elementis UK Limited
Elementis Holdings Limited

Bankers

Royal Bank of Scotland
135 Bishop Gate
London
EC2M 3UR

Independent Auditors

Pricewaterhouse Coopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

Elementis Chromium Limited Liability Partnership

Members' report for the year ended 31st December 2003

The members have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2003.

Principal activity and results

The principal activity of the Partnership is the manufacture and sale of chromium chemicals. All employees are contractually employed by Elementis UK Ltd and their associated payroll cost is recharged to the Partnership.

The results for year ended 31 December 2003 showed a loss of £7,397,000 (2002: £nil) and are set out in the profit and loss account on page 6.

Members

The members, who were also designated members as defined in the Statement of Recommended Accounting Practice (SORP) "Accounting by Limited Liability Partnerships", throughout the year were:

Elementis UK Limited

Elementis Holdings Limited

It is the firm's policy that the increase, reduction or withdrawal of members' capital are decided upon by a Members' Board Resolution.

Elementis Chromium Limited Liability Partnership

Members responsibilities

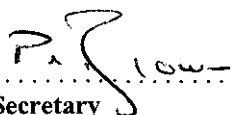
The members are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the partnership as at the end of the financial period and of the profit or loss for that period. They are also responsible for maintaining adequate records which disclose with reasonable accuracy at any time the financial position of the partnership and which enable them to ensure that the financial statements comply with the Limited Liability Partnership Regulations 2001 and Companies Act 1985. They are also responsible for safeguarding the assets of the partnership and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members confirm that suitable accounting policies have been consistently applied, that reasonable and prudent judgements have been used in the preparation of the financial statements on the going concern basis and that applicable accounting standards have been followed.

Independent Auditors

PricewaterhouseCoopers LLP will resign as auditors at the Annual General Meeting, at which these accounts will be adopted. KPMG LLP will be appointed as the Company's auditors at the same meeting.

By order of the Board


.....
Secretary

28 June 2004

Elementis Chromium Limited Liability Partnership

Independent auditors' report to the members of Elementis Chromium Limited Liability Partnership

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of members and auditors

The members' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of members' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the partnership's members as a body in accordance with Section 235 of the Companies Act 1985, as applied to limited liability partnerships ("LLPs"), and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 as applied to LLPs. We also report to you if, in our opinion, the members' report is not consistent with the financial statements, if the LLP has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the members' report.

Basis of audit opinion

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

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

Elementis Chromium Limited Liability Partnership

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the LLP at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as applied to limited liability partnerships.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

28 June 2004

Elementis Chromium Limited Liability Partnership

Profit and loss account for the year ended 31st December 2003

	Note	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Turnover	1	62,363	-
Operating expenses		(57,733)	-
Gross profit		4,630	-
Distribution expenses		2,976	-
Administrative expenses		2,552	-
Operating (loss)	2	(898)	-
Profit on disposal of property (continuing operations)		9	-
Loss for the financial period before taxation		(889)	-
Taxation	3	(6,508)	-
Loss for the financial period after taxation		(7,397)	-
Members' remuneration		-	-
Loss for the financial period available for division among members	9	(7,397)	-

All the above results were derived from acquisitions.

All operations are continuing.

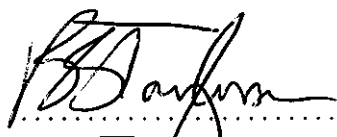
The LLP has no recognised gains or losses other than the loss above therefore no separate statement of total recognised gains and losses has been presented.

Elementis Chromium Limited Liability Partnership

Balance sheet as at 31st December 2003

	Note	31 December 2003 £000	31 December 2002 £000
Fixed assets			
Tangible assets	4	36,944	-
		36,944	-
Current assets			
Stocks	5	7,129	-
Debtors	6	35,440	-
Cash at bank and in hand		-	-
		42,569	-
Creditors – Amounts falling due within one year	7	20,235	-
Net current assets		22,334	-
Total assets less current liabilities		59,278	-
Creditors – Amounts falling due after more than one year		-	-
Provisions for liabilities and charges	8	6,740	-
Net assets		52,538	-
Total members' interests			
Members' capital	9	59,935	-
Other reserves	9	(7,397)	-
		52,538	-

The financial statements on pages 6 to 14 were approved by the board of members on 28 June 2004 and were signed on its behalf by:


 P. J. O'Connell
 Members

Elementis Chromium Limited Liability Partnership

Accounting policies

Basis of preparation

The financial statements on pages 6 to 14 have been prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards. These are unchanged from the previous year. Consolidated accounts are not prepared because the Partnership is a wholly owned subsidiary and its results are included in the consolidated financial statements of its ultimate parent undertaking, Elementis plc.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Foreign currency assets and liabilities are translated into sterling at the exchange rates ruling at the relevant balance sheet date.

Depreciation

Freehold buildings, plant and machinery, vehicles, and fixtures, fittings, tools and equipment are depreciated over their estimated useful lives on a straight line basis.

Estimated useful lives of these assets are:

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

Stocks

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

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse.

Elementis Chromium Limited Liability Partnership

Notes to the financial statements for the year ended 31st December 2003

1 Turnover and segmental information

Turnover is based on the invoiced value of the sale of goods and services. It excludes VAT and similar sales based taxes. Turnover and operating profit is derived from one class of business in the UK.

Analysis of turnover by geographical markets:	2003	2002
	£ 000	£ 000
Europe	49,165	-
North America	2,975	-
Rest of the World	10,223	-
	<u>62,363</u>	<u>-</u>

2 Operating loss

The operating loss is stated after charging/(crediting):

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Depreciation - owned assets	3,988	-
Auditors' remuneration –Audit services	29	-
Charge for services supplied by Elementis Uk Ltd. (Chromium) (see note)	8,736	-

The partnership has no employees. The employees, land and the residue disposal facility are owned by Elementis UK Ltd who by way of the above charge, charge the partnership for their use.

Elementis Chromium Limited Liability Partnership

3 Taxation

(a)

Analysis of tax charge:

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
UK Corporation charge	160	-
Deferred tax on transfer of assets *	5,137	-
Deferred tax charge	1,211	-
	6,508	-

* The transfer of assets into Chromium LLP at 1 January 2003 gave rise to an exceptional deferred tax charge of £5,137,000 (2002 £nil)

(b)

Factors affecting the tax charge for the year:

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Loss on ordinary activities before tax	(889)	-
Tax on ordinary activities at 30%	(266)	-
Timing differences	439	-
Expenses not deductible for tax purposes	(13)	-
	160	-

Elementis Chromium Limited Liability Partnership

4 Tangible fixed assets

	Buildings	Plant & Machinery	Total
	£000	£000	£000
Cost			
At 1 January 2003	-	-	-
Transfer from group undertakings	22,755	78,741	101,496
Additions	-	1,244	1,244
Disposals	(198)	(381)	(579)
At 31 December 2003	22,557	79,604	102,161
Depreciation			
At 1 January 2003	-	-	-
Transfer from group undertakings	11,621	50,083	61,704
Provided during the period	800	3,188	3,988
Disposals	(112)	(363)	(475)
At 31 December 2003	12,309	52,908	65,217
Net book value			
At 31 December 2003	10,248	26,696	36,944
Net book value:			
At 31 December 2002	-	-	-

5 Stocks

	2003	2002
	£000	£000
Raw materials and consumables	2,890	-
Work in progress	1,672	-
Finished goods	2,567	-
	7,129	-

Elementis Chromium Limited Liability Partnership

6 Debtors

	2003	2002
	£000	£000
Trade debtors	8,896	-
Prepayments and accrued income	733	-
Amounts owed by group undertakings	23,836	-
Other debtors	1,975	-
	35,440	-

7 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Trade creditors	6,156	-
Amounts owed to group undertakings	12,419	-
Corporate tax payable	160	-
Other creditors	798	-
Accruals and deferred income	702	-
	20,235	-

Elementis Chromium Limited Liability Partnership

8 Provisions for liabilities & charges

	Deferred taxation £000	Restructuring £000	Self Insurance £000	Total £000	2002 £000
At 1 January 2003	-	-	-	-	-
Transfer from group undertakings	-	19	530	549	-
Charge /(released) from Profit & Loss Account	6,348	-	(157)	6,191	-
At 31 December 2003	6,348	19	373	6,740	-

Self insurance provisions at 31 December 2003 represent the aggregate of outstanding claims plus a projection of losses incurred but not reported. Restructuring provisions are expected to be utilised during 2004 and self insurance provisions are expected to be utilised over five years.

9 Total members' interest

	Members' capital £000	Other reserves £000	Total £000
Members' interest (1 January 2003)	-	-	-
Introduced by members	59,935	-	59,935
Loss for the financial year available for division among members	-	(7,397)	(7,397)
Members' interest (31 December 2003)	59,935	(7,397)	52,538

Following a review of the partnership agreement, the members' interests have been reallocated to reflect the split between members' capital and loans and other debts due to members.

Elementis Chromium Limited Liability Partnership

10 Investment by Elementis UK Ltd

The majority of the Chromium business was transferred at Net Book Value from Elementis UK Ltd to Elementis Chromium LLP on 1 January 2003, in exchange for 99% partnership interest. The remaining 1% is owned by Elementis Holdings Ltd.

11 Contingent liabilities

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

12 Ultimate parent undertakings

Elementis plc, the Partnership's ultimate parent undertaking, was the smallest and largest group to consolidate the financial statements of the Partnership. Copies of the consolidated financial statements of Elementis plc may be obtained from Elementis House, 56 Kingston Road, Staines, TW18 4ES.

13 Related party transactions

As 99% of the Partnership is owned by Elementis UK Ltd, advantage has been taken of exemption afforded by FRS 8 not to disclose any related party transactions with members of the Elementis Group or associates and joint ventures of Elementis plc.