ELEMENTIS

A global specialty chemicals company

Elementis plc
Annual report and accounts

2016

Elementis plc is a global specialty chemicals company with operations worldwide that serve customers in North and Latin America, Europe and Asia 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 and FTSE4Good Indices.

$659.5m
Revenue

c.1,400 Employees globally

#1
Market, technology and innovation leader in Rheology

3 Business segments
– Specialty Products
– Chromium
– Surfactants

14%
Increase in Personal Care sales*

4%
Growth in global Coatings sales*

* constant currency reflects prior year results translated at current year exchange rates

Cautionary statement:
The Annual Report and Accounts for the financial year ended 31 December 2016, 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.

Our business segments

Specialty Products

$460.4m
Revenue

We provide high volume functional additives to the coatings, personal care and energy markets that improve the flow characteristics and performance of our customers' products and production processes.

Key facts
- Based in 13 manufacturing locations in North and Latin America, Europe and Asia.
- We have c.1,000 employees.

Chromium

$168.8m
Revenue[1]

We are a leading producer of chromium chemicals with a strong position in the North American market.

We provide chromium chemicals to customers that make their products more durable and which are used in a wide range of sectors and applications.

Key facts
- Only domestic chromium producer in North America based in five locations.
- We have c.250 employees.

Surfactants

$43.1m
Revenue[1]

We manufacture a wide range of surface active ingredients and products that are used as intermediates in the production of chemical compositions.

Key facts
- Share a manufacturing plant in Delden, Netherlands with Elementis Specialty Products.
- We have c.150 employees.

1 revenue includes internal sales

Specialty Products segment sectors

Coatings
$361.7m
Revenue

We offer a variety of rheology modifiers and specialty additives to decorative and industrial paints and coatings. We have solutions for both waterborne and solvent systems that enhance the performance, look, feel and stability of paint.

Energy
$35.9m
Revenue

We use rheological modifiers to enable drilling mud performance over a wide range of conditions. Our products provide high viscosity and low shear rates which are valuable in high angle and horizontal wells. They are also designed to withstand both high pressure and extreme temperature.

Personal Care
$62.8m
Revenue

We have a high value niche participation in the personal care market. Hectorite gives us a distinct competitive advantage and our Rheoluxe® range of synthetic polymers are popular with our customers due to their ease of use and versatility.

Our manufacturing sites

	Americas	Europe	Asia
Specialty Products	Charleston Jersey City Milwaukee Newberry New Martinsville Palmital St Louis	Livingston	Anji Changxing Hsinchu Songjiang
Chromium	Amarillo Castle Hayne Corpus Christi Dakota City Milwaukee		
Surfactants		Delden*	

* Delden site shared with Specialty Products

How we will reignite growth

Pursue best growth opportunities

Pursue supply chain transformation

Innovate for distinctiveness and high margins

Create a culture of high performance

Why invest in Elementis?

– We operate in high margin, segmented markets and emerging economies where products have many applications and diverse end users, and our local market presence is supported by a strong global infrastructure.

– We have a clear strategy to pursue the best growth opportunities by utilising our strong balance sheet to reinvest in growth and finance returns to shareholders.

– We are improving the quality of our asset base and operating efficiency to optimise cash and returns.

– Our global R&D function has a broad and differentiated product portfolio that is underpinned by proprietary technology, strong customer relationships, technical know how and expertise.

– We have a culture of high performance with a simple and flat organisational structure and we utilise systematic performance management to improve accountability and deliver results.

– We have strong governance and risk management controls and maintain a high standard of business conduct, ethics and corporate responsibility.

CEO's statement
see pages 4 to 9

Highlights

- Group earnings declined due to the negative impact of currency on our Chromium segment and oil prices on our Energy sector within our Specialty Products segment.
- Progress overall in Specialty Products where constant currency sales were up 3 per cent in 2016 and up 8 per cent in H2 2016 versus the same period last year.
  - Coatings sector up 4 per cent for the year*; 6 per cent growth* in Coatings Asia.
  - Personal Care sector up 14 per cent*, with good momentum in H2 which was up 23 per cent year on year*.
  - Energy down 16 per cent* for the year but H2 2016 sales improved by 15 per cent compared to H1*.
- Proposed acquisition of SummitReheis, a high quality personal care business, was announced on 10 February 2017 – expected to complete mid-year after regulatory requirements are satisfied.
- Continued strong cash generation – net cash position increased to $77.5 million.
- Total dividends for the year increased by 2 per cent to 16.80 cents:
  - Final dividend maintained at previous year level.
  - Special dividend increased by 4 per cent; fifth consecutive payment.

* constant currency reflects prior year results translated at current year exchange rates
2015 restated – see note 31

Financial summary

	2016	2015
Sales	**$659.5m**	$677.2m†
IFRS profit for the year	**$68.1m**	$94.6m†
Statutory basic earnings per share	**14.7c**	20.5c†
Net cash	**$77.5m**	$74.0m
Operating profit Δ	**$94.2m**	$121.5m†
Profit before tax Δ	**$89.7m**	$115.2m†
Diluted earnings per share Δ	**16.8c**	20.6c†
Operating cash flow Δ	**$96.0m**	$102.5m
Dividends to shareholders:		
– Interim dividend	**2.70c**	2.70c
– Final proposed	**5.75c**	5.75c
– Special dividend proposed	**8.35c**	8.00c
– Total for the year	**16.80c**	**16.45c**

Δ after adjusting items – see note 5
† restated – see note 31

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Chairman's statement

We are confident that we have the foundations on which to make progress in 2017 and beyond

Andrew Duff
Chairman

The markets in which we operate continued to be challenging in 2016, adversely affecting our two principal business segments.

In the Chromium segment, although the US business remained structurally advantaged and maintained a consistently high degree of stability, a strengthening US dollar and competitive pressures impacted both volumes and margins on export sales from the US to the rest of the world. As a result, the overall impact on volumes and earnings in 2016 has been material.

In the Specialty Products segment, we saw good underlying performance in all our sectors, with a resumption of growth in our Chinese coatings activities and the delivery of good growth in Personal Care. However, lower oil prices reduced demand in our Energy sector by some 16 per cent versus 2015 and the appreciation of the US dollar against most global currencies also impacted results.

Our new CEO Paul Waterman joined us in February 2016 and he has, initially with the support of our CFO at the time, Brian Taylorson, set about developing a strategy for the business in order to 'reignite growth' which aligns the management of the Company in the delivery of this strategy, which was presented to analysts and investors in November 2016. Following Brian's decision to step down after his many years of great service we appointed his successor, Ralph Hewins, who took up his role in November 2016. This growth strategy continues to build on the long standing strengths of the Group, improving operational efficiency through a range of 'self help' initiatives and focusing investment towards our highest growth markets and in our high performing Personal Care sector in particular. Since the end of the year, I am delighted to report that we have reached agreement on the acquisition of SummitReheis, which is a world leading personal care chemicals business, and will increase our exposure to this attractive sector. We expect the acquisition to complete mid-year after regulatory requirements are satisfied. Our track record of consistent cash generation over the last seven years has been an important component of the Group's investment case, contributing significantly to total shareholder returns. I am pleased that in 2016, despite the more challenging environment, the Group still delivered a strong cash flow performance. This in turn means that we have been able to increase our special dividend by 4 per cent.

Financial results

In 2016, Group sales were $659.5 million compared to $677.2 million† in the previous year and IFRS profit before tax was $75.5 million compared to $120.8 million†. These results were mainly due to the impact of currency on Chromium and oil prices on Energy. Group basic earnings per share was 14.7 cents compared to 20.5 cents† in 2015.

In addition the Group's results will report a number of adjusting items and these items are discussed more fully in the Finance report. After taking account of these items, Group diluted earnings per share after adjusting items was 16.8 cents compared to 20.6 cents† last year.

Balance sheet

The Group's balance sheet remains strong after another year of robust cash generation despite lower profits and higher dividend payouts. The Group's net cash position at the end of 2016 was $77.5 million, compared to $74.0 million at the end of the previous year.

The IAS 19 deficit, on the Group's post retirement benefit plans, changed from $29.0 million at the end of 2015 to $30.1 million. The UK pension plan accounts for the majority of the Group's pension obligations.

Dividends

Under the dividend policy introduced in 2012, the Board undertook to pay approximately one third of earnings, after adjusting items, each year in a combination of interim and final dividends. In addition, a special dividend is paid each year of up to 50 per cent of the net cash balance at the end of the year, provided there are no immediate investment plans for that cash. This year, the Board is recommending a maintained final dividend, reflecting its confidence in the Group's business model and its medium term prospects. In addition, as the year end net cash balance increased, we will be distributing half of this by way of a special dividend, notwithstanding our investment in the acquisition of SummitReheis. Consequently, proposed total dividends for the year are increased by 2 per cent to 16.80 cents per share, the components of which are as follows:

- The Board is recommending a final dividend for 2016 of 5.75 cents per share (2015: 5.75 cents) and a special dividend of 8.35 cents per share (2015: 8.00 cents).
- The Board declared an interim dividend at the time of the Interim Results announcement of 2.70 cents per share (2015: 2.70 cents).

† restated – see note 31

The final and special dividends will be paid on 26 May 2017, in pounds sterling at an exchange rate of £1.00:$1.2502 (equivalent to a sterling amount of 11.2782 pence per share), to shareholders on the register on 28 April 2017.

Health, safety and the environment
This is an area in which we have intensified focus in 2016. Whilst our overall performance continues to be of a high standard compared to the industry, management is seeking continuous improvement. Our goal is for everyone to go home safely every day.

We continue to invest in measures to improve our environmental impact. We will continue to be cooperative and proactive with regulators, while striving always to exceed their expectations.

Board changes
This has been a year of change at the top of our Company. As reported this time last year, Paul Waterman became CEO, joining the Board on 8 February 2016, replacing David Dutro. Ralph Hewins was appointed CFO-Designate and a Director of the Company on 12 September 2016 and replaced Brian Taylorson as CFO on 1 November 2016, when Brian stepped down from the role and the Board. On behalf of the Board I would like to take this opportunity to thank Brian for his significant contribution as CFO during the past 14 years. He has been central to the strong progress made by Elementis over many years and provided much valued support to myself and to both Paul and Ralph during the leadership transition.

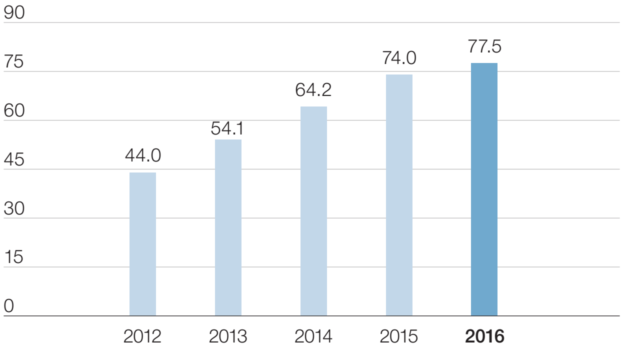
Having served for nearly nine years, Andrew Christie will be standing down as a Director and as Chairman of the Remuneration Committee, in line with best practice, at the conclusion of the Annual General Meeting on 25 April 2017. Steve Good will succeed Andrew as Chairman of the Remuneration Committee at the conclusion of the meeting. Andrew has served the Board with great commitment over many years and I wish to extend my thanks to him for his efforts on our behalf.

Following a review of the Board's structure, capabilities, international experience and diversity, it was decided to increase the size of the Board from seven to eight members by appointing an additional non-executive Director. Sandra Boss and Dorothee Deuring joined the Board on 1 February 2017 and 1 March 2017 respectively. Both new Directors bring different expertise and insights and will make strong contributions in our boardroom. I am delighted to welcome them to Elementis and look forward to working with them.

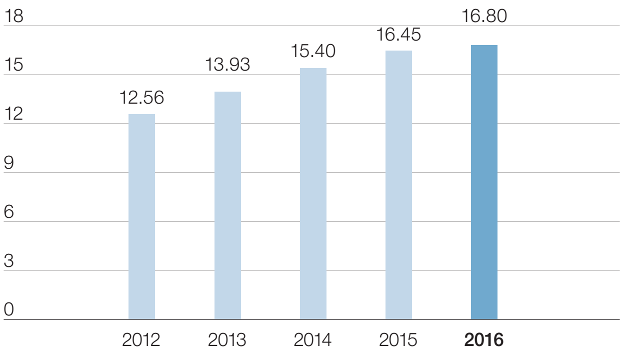
Governance
One of the primary points of focus for the Board in 2016 was the successful implementation of the change of executive leadership. The Board is pleased that the transition to the new CEO and CFO team in Paul and Ralph was a smooth process. One of the challenges that this type of change brings is that the dynamics between non-executive and executive Directors need to be re-established and I am pleased to report that your Board remains cohesive and transparent, and has shared values that are based on trust, integrity and a common purpose, which enables all Directors to perform effectively, both collectively and as individuals. It is my intention to ensure that these dynamics are further strengthened by the recent Board additions.

The Board considers that it has applied fully all of the principles and provisions of the Corporate Governance Code during 2016. More information is provided in the Corporate governance report.

Net cash
$m



Total dividends per share
Cents



People
The business owes its success to the contribution of all of its talented individuals. One of the distinctive features of Elementis is the dedication and commitment of its employees. Despite the challenges and changes of 2016, this has been unwavering and, on behalf of the Board, I would like to thank all of the staff for everything they have done.

Outlook
The Board believes that the economic environment is likely to continue to be uncertain as we go through the current year. However, the management team is focused on self help measures to deliver underlying operational improvements, as well as concentrating on our strengths and the development of our principal growth sectors, whatever the market environment. We expect to maintain our distinctive margins and are looking to grow share in our markets based on superior products and customer service.

The Group has a solid financial platform, a new, energised leadership team and a clear strategy for delivery. We are confident that we have the foundations on which to make progress in 2017 and beyond.

Andrew Duff
Chairman
1 March 2017

How we will reignite growth in Elementis

Paul Waterman
Chief Executive Officer

It is an exciting time for Elementis. Having joined the Company early in 2016 I have been in the role long enough to develop an informed view of how we need to progress.

I have spent time in this first year going to visit our people, customers and sites around the world, and as I reflect on the business we have today, there are a number of strengths that we can build upon:

- We have a strong heritage, with the Company's roots going back over 150 years.
- We have a talented team of very motivated employees.
- We have distinctive technology that our customers value.
- Our teams are customer focused and quick to respond.
- We have a good position in China that continues to grow.
- Our Personal Care sector is doing well and offers a number of opportunities.

Overall we are a high quality business, generating good free cash flow, and have a prudently financed balance sheet that offers options for the future.

Elementis offers its customers real distinctiveness and that has enabled it to grow successfully. Ten years ago it made $58 million profit and was worth around $0.7 billion. Today it is a great deal more than that. The reality is also that more recently growth has stalled, with earnings declining in the past two years. In 2016 this decline was quite pronounced.

In looking back at 2016 I will start with safety. There is nothing more important to us than our people going home safely every day. Whilst we continue to deliver safety performance that is amongst the leaders in the industry, we will not be satisfied until we achieve our goal of no one getting hurt working at Elementis. One immediate change was to make our VP Global HSE report directly to me. In 2016 we initiated the 'Take Two…*for safety*™' programme to reduce risk in our operations.

In 2016 our people agenda was focused on transforming our organisational structure. Elementis is a relatively small company and every person counts. So getting the organisation operating efficiently is essential to grow the business. We have made some changes in 2016 to let us do that.

Prior to 2016 there were two main business segments – Chromium and Specialty Products, and functions such as Marketing and R&D were embedded into regional business activities. We have now moved to a structure that is much flatter, where the Specialty Products business sector leaders, such as in Personal Care, Energy and the Coatings regions, all report to me, and we have globalised the functions so they can develop capability across the world and focus on fewer bigger things. We also created a global supply chain organisation so that we can manage assets, operations and procurement on a global basis.

In HR we have initiated new processes to develop the leaders for tomorrow. We implemented a global HR management system supported by 'Workday' so we can systematically manage our people processes such as talent, succession planning and reward.

Turning to our business performance in 2016, the biggest decline was in our Chromium segment.

We have great distinctiveness in this business with the only North American manufacturing base combined with unique delivery systems to our customers. This enabled us to maintain a strong performance in North America in 2016. However, the rest of the world business was vulnerable to the impacts of a stronger US dollar, which had the impact of reducing volumes and margins significantly. Results were also adversely impacted in the latter part of the year by operational interruptions due to a hurricane and a centrifuge failure at our Castle Hayne site. We will continue to strengthen our North American base.

Towards the end of 2016 we saw the price of our key raw material, chrome ore, rise significantly. As a result we are now implementing price increases to protect our margins. Our expectation at this time is that underlying Chromium profitability in 2017 will be comparable to 2016.

Group performance

Revenue

	Revenue restated† 2015 $million	Effect of exchange rates $million	Increase/ (decrease) 2015 $million	**Revenue 2016 $million**
Specialty Products	453.2	(7.6)	14.8	**460.4**
Chromium	181.1	–	(12.3)	**168.8**
Surfactants	53.8	(0.7)	(10.0)	**43.1**
Inter-segment	(10.9)	–	(1.9)	**(12.8)**
	677.2	(8.3)	(9.4)	**659.5**

Operating profit

	Operating profit restated† 2015Δ $million	Effect of exchange rates $million	Increase/ (decrease) 2015 $million	**Operating profit 2016Δ $million**
Specialty Products	79.9	(3.9)	2.8	**78.8**
Chromium	48.0	–	(20.9)	**27.1**
Surfactants	4.5	0.1	(5.2)	**(0.6)**
Central costs	(10.9)	0.6	(0.8)	**(11.1)**
	121.5	(3.2)	(24.1)	**94.2**

Δ after adjusting items – see note 5
† restated – see note 31

In our Specialty Products segment, sales were up 3 per cent† over 2015 on a constant currency basis, although this progress masks some varied sector performance within this segment:

- In Energy the impact of the low oil price (mainly on North American drilling) saw constant currency sales reduce by 16 per cent†. The second half did see some recovery in volumes versus the second half of 2015 as the oil price rise boosted activity and we should see this modest momentum carry over into 2017.
- In Coatings constant currency sales growth of 4 per cent† was supported by a strong performance in China, which saw something of a rebound after the impact of destocking in 2015. However, reported results from Asia were impacted by the stronger US dollar.
- Our Americas activities continued to see growth in decorative coatings (with New Martinsville products being a driver) as well as a modest recovery in Latin America. Overall, sales growth in the region was 2 per cent† at constant currency.
- In EMEA soft market conditions limited growth, but despite that we achieved a 3 per cent† constant currency sales growth, helped by a strong distributor performance, particularly in southern Europe.
- The stand out performer in our Specialty Products segment was Personal Care, which achieved a 14 per cent† growth in constant currency sales. This was accomplished through improved sales in all geographies, with particularly strong growth in Asia, of our new Rheoluxe® line of products and strong sales into aerosol anti-perspirants and colour cosmetics.

In the Surfactants segment, operating profit declined from $4.5 million to a loss of $0.6 million. Volumes were 13 per cent lower as Chinese textile and leather market demand softened, whilst some specific customer orders were lower. We have taken steps to lower costs at the Delden site and are conducting a strategic review of the options for this business, which offers flexible manufacturing capabilities across a wide range of chemistries.

Looking at our overall financial performance, the strong cash generation of the Group was a stand out with our year end net cash balance at $77.5 million, enabling us to return cash to shareholders by way of a special dividend.

So a decline in 2016 due to difficult markets in important parts of our business – headwinds in Chromium, the low oil price affecting Energy demand and the impact of foreign exchange on US dollar profits. Looking ahead, I am convinced we cannot rely on the external environment getting better. Equally, underlying growth in the rest of our business has been limited.

† restated – see note 31

Our strategic priorities

Pursue best growth opportunities	Pursue supply chain transformation	Innovate for distinctiveness and high margins	Create a culture of high performance
– Global KAM – Coatings Asia – Personal Care global growth	– Address disadvantaged assets – Manufacturing productivity – Pursue procurement savings	– Sustain innovation leadership – Deliver new product pipeline	– Structure – Process – Systematic performance management

In 2016 we completed a strategy review on our Specialty Products business and deeply analysed both Chromium and Surfactants. All of this work has been undertaken with a good balance of outsider input, fresh thinking and contributions from our experienced teams. This has allowed us to get really clear on where we can improve and I would highlight the following areas:

- We are quite dependent on business cycles and we need to continue to find ways to make the business more resilient.
- We have been a little unfocused in our investment of money and people in some areas such as Personal Care, Sales and Technology.
- Growth opportunities, for example with our larger accounts and in Asia outside China, have not got the focus they need.
- Our functions have been dispersed regionally and have missed out on the chance to have a global focus and agenda.
- We have a number of assets which tie up capital but do not generate the returns we need – we need to make clearer choices about which assets we improve and which have a different future.

Underpinning all that, we need to ensure our organisation is set up to succeed and that we run our businesses with a culture of high performance.

These opportunities to improve translate into a set of four strategic priorities that we set out in November 2016. These priorities, taken together, articulate how we will 'reignite growth' at Elementis.

None of these rely on hope or the environment getting better but on us executing really well. Today is a low growth world and I don't see any signs of that changing. We cannot rely only on the hope that customer markets will be strong or that we will grow much faster than the competition. In short, we must also focus on self help.

Our priorities are set out below.

1. Pursue best growth opportunities
We have selected three big areas of focus.

Global key account management
This is all about accelerating and globalising how we work and grow with our major customers.

Over the last ten years the large regional coatings companies have globalised. We want to grow with these companies by developing a consistent global approach led by cross functional key account teams that are focused on meeting clear goals.

Coatings Asia
We have an established operation in China and we are the clear leader in the market, servicing customers through an experienced sales force. The opportunity for Elementis is twofold: expanding into the rest of Asia and building our decorative coatings activities in the region.

Personal Care global growth
In 2016 we made this sector report directly to me. I have also committed more resources to support growth.

We have a unique position with our hectorite mine. Hectorite organoclay is a very important ingredient to give cosmetics products the right viscosity or rheology. Just a small amount of it in a product gives it the right texture and makes it look and feel good. Hectorite gives Elementis a real competitive advantage: its colour is white, it is all natural and its chemistry is very efficient and versatile. These characteristics make it a highly valued ingredient in personal care and we see major opportunities to further expand and grow.

Next to hectorite, we have recently launched a range of new synthetic rheology modifiers called Rheoluxe®. We used the expertise from our Coatings group to launch these associative thickeners in Personal Care.

In addition to organic growth (which we believe can achieve double digit growth over the medium term), we announced in February 2017 the proposed acquisition of SummitReheis. This will provide a material and complementary addition to our Personal Care sector. SummitReheis is a high quality, high margin specialty chemicals business that produces a range of critical active ingredients and materials tailored for use in personal care, pharmaceutical and dental products.

SummitReheis' anti-perspirant actives business (more than 60 per cent of its sales) is the global leader in the manufacture and sale of active ingredients for anti-perspirants and has long standing relationships with key consumer product companies across the Americas, Europe and Asia.

It offers enhanced growth potential driven by the combination of complementary products, customers and a broader geographical presence which together offer cross-selling opportunities.

2. Pursue supply chain transformation
We have a good set of assets that are run safely.

Our Chromium sites are globally cost competitive due to low cost energy and economies of scale, production cycles can easily be switched on or off to meet demand shifts, and have a flexible product mix. All the sites in the US are positioned well to service the North American market.

For Specialty Products, whilst we have a number of 'advantaged' sites, we also have identified a number of sites that are 'neutral' or 'disadvantaged'. We have to address those assets. Transformation of a site could mean investment, simplification of processes within the operations, product rationalisation or finding a lower cost option.

Transformation goes beyond our asset portfolio to improvements in operations. This might involve:

- Cost reduction.
- Improving utilisation.
- Sourcing products from the lowest cost supply chain.
- Reducing cycle times.
- Product rationalisation.
- Improving procurement spend.

3. Innovate for distinctiveness and high margins
We have a great technology base but need to invest in and focus our innovation. We have built industry leading expertise in four areas of technology:

- Rheology is the control of the flow behaviour of materials. Rheology modifiers bring this flow control to product formulations.
- Surface active chemistry is another area of technology critical to the service we provide to customers. Surface active compounds modify materials to improve their compatibility with other substances.
- Designing and synthesising polymers that deliver properties on demand.
- Guiding and supporting customers in creating the formulations sold to the end user.

We need to continue to strengthen our R&D pipeline of high value projects. We have eliminated a significant number of small projects with the intent of focusing on fewer, bigger and more material opportunities to ensure the new products we do choose to get behind are the most compelling. We manage this prioritisation on a quarterly basis.

4. Create a culture of high performance
Beyond the organisational changes we have made, we are making further changes to improve the way we run the business. For example, our capital allocation can be more productive; we have introduced a stage gate process for managing capital projects and are re-focusing our spend to those areas that support strategy execution and are the most attractive.

The new global Marketing and R&D functions are now ensuring people and investment is spent on a clear pipeline that is prioritised. A high performance culture involves strong performance management: clear targets and measurement, ensuring accountability rests clearly with individuals and rewarding success. We are implementing standard management information and reporting to measure and manage performance in a common way.

By focusing on these four priorities we believe we can improve earnings and returns, whilst delivering improved cash flow and maintaining a strong financial position.

Summary
In the short term market conditions will continue to be an important factor in results given our current Chromium and Energy cyclical exposure. The end markets appear healthier than in the past couple of years but the key to our success will be not to depend only on the markets but to focus on self help and ensure the culture of high performance permeates the organisation. That gives me confidence that focusing on our strategic priorities will reignite growth for the Company.

All of this is with the intent of creating value. This is a strongly cash generative business that gives us resources. We have shown great discipline in the past, as shown in the dividend policy and record. We will continue to be highly disciplined. It won't necessarily be a smooth progression with two parts of our portfolio exposed to cycles, but what I can promise you is a relentless determination to improve this business, even in a low growth world, and create value for our shareholders.

I strongly believe we can reignite growth – earnings growth and better returns, translating into a strong cash flow and a more valuable business. I hope you are as excited by the future of Elementis as I am.

Paul Waterman
CEO
1 March 2017

Chief Executive Officer's overview continued

Global key account management

Strategic priority:

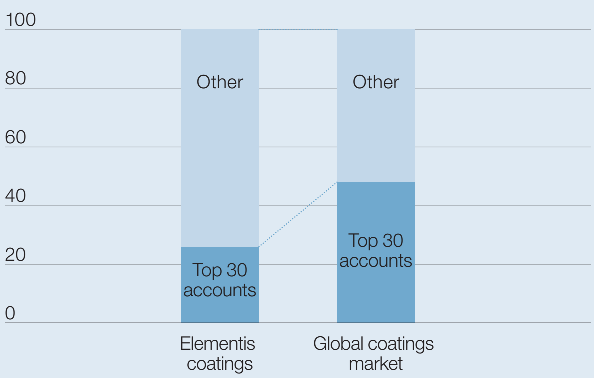
2016 in action

– We have developed a consistent global approach led by cross-functional key account teams that are focused on meeting clear goals. There is now a standard business model for Elementis that includes a common toolkit and plans for each account.

– The KAM teams are focused on meeting these clear targets and will be measured against key milestones.

– We have initiated quarterly leadership team meetings to monitor progress and optimise resource allocation.

Opportunities to grow our customers



Source: Kusumgar, Nerlfi & Growney

Coatings Asia

Strategic priority:

Our R&D centre in Hsinchu, Taiwan

2016 in action

– The investment we made in our castor wax facility in Hsinchu, Taiwan, which manufactures our organic thixotropes range of products for the industrial coatings market, has generated significant sales.

– For the sixth consecutive year running we have won the 'Ringier Technical Innovation Award' in China. We received this award due to our development of organic thixotropes. This product improves sag resistance in performance coatings and can be utilised at lower temperatures resulting in a shorter production cycle and lower manufacturing costs.

– During the year we were awarded the 'HNTE Status' (High New Technology Enterprise Status) by the Chinese government, and in Taiwan we successfully obtained 'Regional R&D Centre Status' by the Taiwanese government.

Our products are used in a number of personal care applications

Personal Care global growth

Strategic priority:

2016 in action

– We have grown our Personal Care team to improve customer intimacy, build a local presence and bring better value to our customers.

– At the In-Cosmetics show in Paris, we launched Meadowderm®, a unique functionally active anti-ageing ingredient for skin treatment.

– We have grown sales in Asia by over 40 per cent with major success in China, where sales grew by nearly 70 per cent, and in India where sales were close to tripling.

– To demonstrate our commitment to sustainability our Bentone Gel product range achieved Mass Balance certification in accordance with the standard of the Roundtable on Sustainable Palm Oil (RSPO) at the end of 2016. This adds to our RSPO certification for organoclays received in 2014.

Our New Martinsville plant in West Virginia, US

Pursue supply chain transformation

Strategic priority:

2016 in action

- We have made progress optimising the location of where we make several products, rationalised 10 per cent of our materials and established improved operating mechanisms.
- Production within our network of assets has been moved to improve efficiency and reduce cost. Cycle times have been reduced to create free capacity. Low investment debottlenecking activities to avoid large capacity expansions are being executed.
- We are continuing to focus on procurement by expanding the number of raw material suppliers, looking at different geographies and moving away from sole sources to lower material costs.

Our R&D centre in Sci Park in East Windsor, US

Innovate for distinctiveness and high margins

Strategic priority:

2016 in action

In 2016 R&D was primarily targeted to projects for our Personal Care and Coatings sectors.

- For Personal Care, new rheological additives for anti-perspirants, skin care and hair care were introduced. Hectorite based products comprised the major fraction of these new rheology control materials. New synthetic rheology modifiers, under the Rheoluxe® brand, expanded our product offering and share in the skin and hair care markets. Our research is aimed at further expansion of our presence in these markets.
- New rheology modifiers, dispersants, wetting agents and defoamers were sold to global customers for use in decorative coatings. These new additives were primarily sold into the higher sheen applications, where appearance is key.
- For the performance driven marine and protective coatings market segment, a new generation of rheology control agents were introduced. They simplify coatings manufacture and improve the thickness of the film that can be applied onto a vertical surface. Our innovation activity in this area continues as we seek to place derivatives of the technology into additional markets.

Our business model

Our business is structured to strengthen value.

During the year we restructured our organisation to create a flatter and more accountable structure that enables our global functions to more effectively deploy their expertise to support better the business.

Global key account management and our Innovation for distinctiveness focus will help develop and maintain our customer relationships and this alongside improvements in supply chain and performance management, will help us create greater value.

More detail can be found in the CEO's overview.

What we do

We make our customers' formulations look, feel and perform at their best.

Supply chain and manufacturing excellence supported by a strong asset base where safety is aligned to operational performance.

Innovation that enhances our customers' needs with proprietary technology, new product development and innovation pipeline, supported by differentiated technical service and expertise.

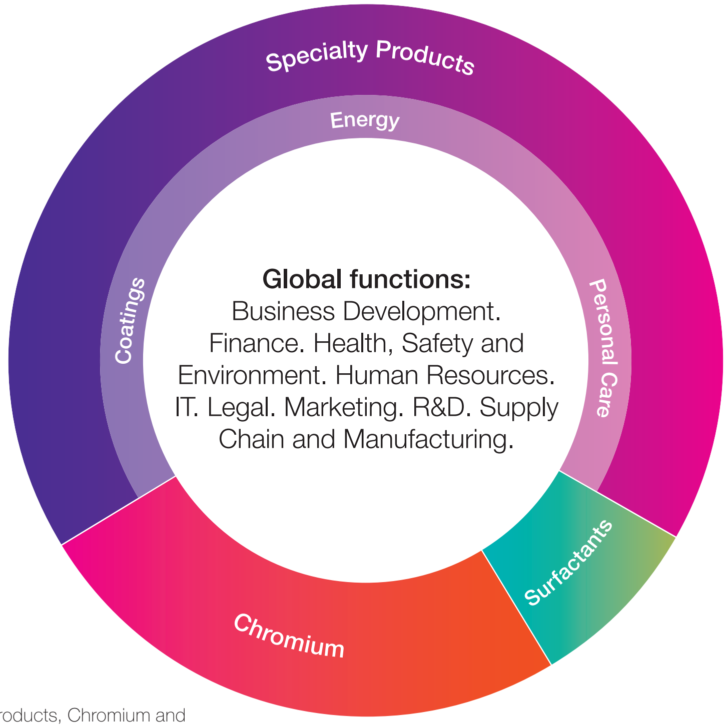
Distinctive assets and a unique asset base that are utilised to serve our customers better than our competitors.

Customer responsiveness is delivered by building and maintaining close relationships with our customers so we can meet their needs quickly.

Leadership which prioritises safety, ethical behaviour and systematic performance management.

We operate within a disciplined financial framework to invest in the best opportunities.

We operate in three segments – Specialty Products, Chromium and Surfactants, supported with global functions. Specialty Products has three distinct sectors – Coatings, Energy and Personal Care.



Specialty Products, Chromium and Surfactants split by revenue 2016

What this achieves

Engaged customers who want to work with us due to our proactive relationships and technical know how.

A reputation for providing high quality products and services.

High and stable returns and strong cash generation to enhance shareholder value.

A capable and committed workforce that operates safely and takes its social and environmental responsibilities seriously.

What makes us distinct

Specialty Products

In our global R&D and technical service labs we work closely with our customers on product development to meet their needs.

We own the only high quality rheology grade hectorite mine in the world, providing a key raw material that has certain molecular properties to enhance formulation efficiency and rheology, is white in colour and all natural.

Chromium

We are the only US producer of chromium chemicals with a strong reputation for quality and operational excellence, with high levels of customer service and technical support.

Our unique delivery system in North America allows us to deliver chromium chemicals which is not only time and cost efficient but also reduces product handling risk.

Surfactants

We work in niche volumes and our Delden plant is equipped with specialist equipment that alongside our expertise allows us to meet our customers' needs.

The markets we serve

Specialty Products

- Coatings: industrial and decorative
- Energy: drilling and fracturing fluids for oil and gas extraction
- Personal Care: anti-perspirants, nail polish, mascara, eye shadow, lipsticks, creams, hair care and suncare

Chromium

- Paint and plastic pigment
- Roofing and ceramic tiles
- Refractory
- Metal and plastic plating
- Metal alloys
- Wood preservative
- Leather tanning

Surfactants

- Oilfield production chemicals
- Construction chemicals
- Textile and leather
- Water treatment

What we make

Specialty Products

- Rheological modifiers
- Specialty additives
- Organoclays
- Defoamers
- Adhesion promoters
- Waxes and resins
- Flow and levelling additives
- Dispersing/wetting/slip and coalescing agents
- Lanolin and other natural oil derivatives

Chromium

- Chrome oxide
- Chromic acid
- Chrome sulphate
- Dichromate

Surfactants

- Surface active ingredients
- Products used for intermediates in the production of chemical compositions

Revenue

	2016 $million	2015 restated† $million
Specialty Products	**460.4**	453.2
Chromium	**168.8**	181.1
Surfactants	**43.1**	53.8
Inter-segment	**(12.8)**	(10.9)
	659.5	677.2

Operating profit

	2016 Operating profit $million	Adjusting items $million	2016 Adjusted operating profit∆ $million	2015 Operating profit† $million	Adjusting items $million	2015 Adjusted operating profit∆ restated† $million
Specialty Products	**77.5**	**1.3**	**78.8**	77.5	2.4	79.9
Chromium	**23.6**	**3.5**	**27.1**	60.0	(12.0)	48.0
Surfactants	**(0.9)**	**0.3**	**(0.6)**	3.3	1.2	4.5
Central costs	**(15.7)**	**4.6**	**(11.1)**	(13.7)	2.8	(10.9)
	84.5	**9.7**	**94.2**	127.1	(5.6)	121.5

∆ after adjusting items – see note 5
† restated – see note 31

Group results
Group sales in 2016 were $659.5 million compared to $677.2 million† in the previous year, a reduction of 3 per cent, or 1 per cent excluding currency movements. The stronger US dollar impacted our results in non-US markets. Constant currency sales in our Specialty Products segment increased by 3 per cent, with strong performances from our Personal Care and Coatings Asia sectors (up 14 per cent and 6 per cent respectively). Low oil prices affected sales within our Energy sector particularly in the first half, but the performance improved towards the year end. Constant currency sales in the Surfactants segment were 19 per cent lower due to weakened end markets in Asia and reduced volumes with specific customers. In our Chromium segment, sales declined 7 per cent as a consequence of the rest of world volume decline that resulted from the strength of the US dollar and excess capacity in the global market.

IFRS profit before tax was $75.5 million compared to $120.8 million. The decline was mainly due to the impact of currency on Chromium and oil prices on Energy described above. Operating profit∆ for the year was $94.2 million, compared to $121.5 million in 2015, a reduction of 22 per cent, or 20 per cent excluding currency movements. Although Specialty Products' margins remained stable at constant currency, Group operating margin declined by 4 per cent to 14 per cent of sales, due to weakness within Surfactants and both the difficult trading conditions and non-repeat of one time cost credits from 2015 within Chromium, which had benefited by approximately $5.0 million from a legal settlement and property easement fees.

Adjusting items
A number of items have been recorded under 'adjusting items' in 2016 by virtue of their size and/or one time nature (2015: recorded as 'non-recurring items'), in order to provide a better understanding of the Group's results. The net impact of these items on the Group profit before tax for the year is an increase of $14.2 million (2015: decrease of $5.6 million). The items fall into a number of categories, as summarised in the table below.

Table of adjusting items

Increase in profit	Restructuring	Business review	Environmental provisions	Acquisition costs	Total
Specialty Products	1.3	–	–	–	1.3
Chromium	–	–	5.5	–	5.5
Surfactants	0.3	–	–	–	0.3
Central costs	1.4	2.4	2.5	0.8	7.1
Total	**3.0**	**2.4**	**8.0**	**0.8**	**14.2**
Of which					
Operating profit	3.0	2.4	3.5	0.8	9.7
Finance costs	–	–	4.5	–	4.5
Total	**3.0**	**2.4**	**8.0**	**0.8**	**14.2**

∆ after adjusting items – see note 5
† restated – see note 31

Restructuring

Following the appointment of a new Chief Executive Officer, the Group has reorganised the management structure and various parts of the business. Costs of this exercise including redundancy costs, as well as recruitment and other costs associated with changes in the management structure, were $3.0 million.

Business review

In the first half of 2016 a business review was undertaken with external assistance to support development of the long term strategy for Elementis. The one time cost of this exercise was $2.4 million.

Environmental provisions

The Group's environmental provision is calculated on a discounted basis, reflecting the time period over which spending is estimated to take place. Following discussions with our external advisors the Group has concluded that it would be appropriate to reduce the discount rate being used to value liabilities resulting in a charge of $4.5 million. We continue to fund the remediation work on the legacy Chromium site at Eaglescliffe that was closed in 2009. The work programme is determined in part through consultation with the local regulatory authorities and a re-assessment in the year of the outstanding tasks and their timeframe has resulted in a charge of $3.5 million.

Acquisition costs

On 10 February 2017 the Group announced its intention to acquire SummitReheis. During 2016 transaction related costs of $0.8 million were incurred in connection with this acquisition. Further costs will be expensed in 2017.

Currency hedging

Although a large part of the Group's business is transacted in US dollars, the Group also transacts in other currencies, in particular euros, pounds sterling and Chinese renminbi. In order to reduce earnings volatility from these currency exposures, the Group takes out cash flow hedges each year where these are readily available. In 2015, overall currency movements were such that the net impact of these hedge transactions was a charge to operating profit of $5.0 million, while in 2015 there was a benefit of $2.6 million.

Central costs

Central costs are those costs that are not identifiable as expenses of a particular business and comprise expenditures of the Board of Directors and corporate office. In 2016 central costs$^{\Delta}$ were $11.1 million, compared to $10.9 million$^{\Delta}$ in the previous year.

Net finance costs

	2016 $million	2015 $million
Finance income	**0.1**	0.2
Finance cost of borrowings	**(0.8)**	(1.2)
	(0.7)	(1.0)
Increase in environmental provisions	**(4.5)**	–
Net pension finance costs	**(1.0)**	(1.8)
Discount unwind on provisions	**(1.4)**	(1.4)
Net finance costs	**(7.6)**	(4.2)

Δ after adjusting items – see note 5
† restated – see note 31

Other expenses

Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses, and were $1.4 million in 2016 compared to $2.1 million in the previous year. In 2015 costs were higher due to the finalisation of the 2014 triennial funding exercise.

Net finance costs increased by $3.4 million in 2016 to $7.6 million due to lower net borrowing and pension finance costs offset by an increase of $4.5 million due to a change in the discount rate used when calculating the environmental provisions. Net borrowing costs relate mostly to amortised arrangement and commitment fees on unutilised borrowing facilities, as well as interest income and expense on deposits and borrowings. These costs were lower than the previous year, at $0.7 million, due to lower average borrowings for the year. Pension finance costs, which are a function of discount rates under IAS 19 and the value of the schemes' deficit or surplus positions, were lower than the previous year at $1.0 million driven mainly by the impact of the UK scheme moving into a net surplus position during 2015, which resulted in a pension interest credit for that scheme in 2016. Discount unwind on provisions relates to the annual time value of the Group's environmental provisions, which are calculated on a discounted basis and at $1.4 million were at a similar level to 2015.

Taxation

Tax charge

	$million	2016 Effective rate per cent	2015 restated† $million	2015 Effective rate restated† per cent
Reported tax charge	**7.4**	**9.8**	26.2	21.7
Adjusting items	**3.7**	**2.6**	(7.2)	(5.2)
After adjusting items	**11.1**	**12.4**	19.0	16.5

† restated – see note 31

The tax charge on profits represents an effective rate after adjusting items for the year ended 31 December 2016 of 12.4 per cent (2015: 16.5 per cent). The Group is international and has operations in several jurisdictions and benefits from cross border financing arrangements. Accordingly, tax charges of the Group in future periods will be affected by the profitability of operations in different jurisdictions, changes to tax rates and regulations in the jurisdictions within which the Group has operations, as well as the ongoing impact of the Group's funding arrangements. The decrease in tax rate arises from changes in the geographical mix of profits. In 2015 there had been a reduction due to the release of overseas provisions where the treatment of certain items had been resolved. The effective tax rate between 2012 and 2014 averaged in the low 20s. We expect the effective rate to return to this level, with the actual rate determined largely by the geographical split of profits.

Earnings per share

Note 9 to the 'Consolidated financial statements' sets out a number of calculations of earnings per share. To understand better the underlying performance of the Group, earnings per share reported under IFRS is adjusted for items classified as adjusting.

Diluted earnings per share, after adjusting items, was 16.8 cents compared to 20.6 cents† in the previous year. The year on year reduction was a result of lower operating profit which more than offset the impact of a lower tax rate in the current year. Basic earnings per share was 14.7 cents compared to 20.5 cents† in 2015. This is after a reduction due to adjusting items of 2.3 cents in the year compared to 0.3 cents† in the prior year. Adjusting items in 2016 are described earlier in this report.

Distributions to shareholders

During 2016 the Group paid a final dividend in respect of the year end 31 December 2015 of 5.75 cents per share (2015: 5.75 cents) and a special dividend of 8.00 cents per share (2015: 6.95 cents). An interim dividend of 2.70 cents per share (2015: 2.70 cents) was paid on 30 September 2016 and the Board is recommending a final dividend of 5.75 cents per share and a special dividend of 8.35 cents per share, both of which will be paid on 26 May 2017.

Cash flow∆

The cash flow is summarised below.

	2016 $million	2015 restated† $million
EBITDA[1]	**122.2**	148.4
Change in working capital	**13.4**	(11.8)
Capital expenditure	**(35.3)**	(31.3)
Other	**(4.3)**	(2.8)
Operating cash flow	**96.0**	102.5
Pension deficit payments	**(4.7)**	(22.8)
Interest and tax	**(3.5)**	(13.8)
Adjusting items	**(5.1)**	20.1
Other	**(0.2)**	(3.2)
Free cash flow	**82.5**	82.8
Dividends paid	**(76.2)**	(71.1)
Acquisitions and disposals	**–**	–
Currency fluctuations	**(2.8)**	(1.9)
Movement in net cash	**3.5**	9.8
Net cash at start of year	**74.0**	64.2
Net cash at end of year	**77.5**	74.0

1 EBITDA – earnings before interest, tax, depreciation and amortisation but after adjusting items – see note 5
∆ after adjusting items – see note 5
† restated – see note 31

The Group delivered another positive cash flow performance in the year, with reported net cash flow from operating activities increasing from $111.6 million in 2015 to $117.9 million in 2016 and increasing net cash by $3.5 million to $77.5 million. The challenging trading conditions resulted in a reduced EBITDA figure, $26.2 million lower than 2015 at $122.2 million, but this was mitigated by a positive performance within working capital where there was a cash inflow of $13.4 million compared to an outflow of $11.8 million in 2015. The working capital improvement was driven by a reduction in Chromium inventory and by supplier payment patterns towards the end of the year. Capital expenditure of $35.3 million in 2016 was $4.0 million higher than in 2015 and exceeded depreciation and amortisation for the year of $28.0 million (2015: $26.9 million) as the Group continued to invest in its facilities.

Within Specialty Products investment has continued in the decorative additives facility in New Martinsville, US, and also in Delden, with an expansion of our organic thixotrope capabilities. Spending on regional compliance HSE projects remains an important part of the Group's investment programme, with major projects ongoing in Delden and throughout Asia.

The decline in pension payments from $22.8 million in 2015 to $4.7 million is mainly attributable to the revised funding agreement concluded with the UK Trustees in 2015, which has resulted in significantly lower payments than in recent years.

Balance sheet

	2016 $million	2015 restated† $million
Intangible fixed assets	**359.9**	362.5
Tangible fixed assets	**217.3**	211.2
Working capital	**118.0**	138.5
Net tax liabilities	**(76.3)**	(65.0)
Provisions and retirement benefit obligations	**(69.3)**	(67.4)
Net cash	**77.5**	74.0
Total equity	**627.1**	653.8

† restated – see note 31

Group equity decreased by $26.7 million in 2016 (2015: increase of $13.4 million). Intangible fixed assets declined by $2.6 million with amortisation charges of $3.4 million and currency translation losses of $3.0 million offsetting additions of $3.8 million. Tangible fixed assets increased by $6.1 million as additions of $34.0 million exceeded the depreciation charge of $24.6 million and the minor impact of currency translation and disposals. Working capital decreased by $20.5 million driven primarily by the increase in trade and other payables of $19.0 million and a reduction of inventory balances of $5.4 million, most significantly within Chromium. Net tax liabilities increased by $11.3 million, as the tax charge on profits for the year of $7.4 million and currency translation adjustments exceeded actual cash tax paid. Movements in provisions and retirement benefit obligations are discussed elsewhere in this report. Net cash increased by $3.5 million as described in the previous section.

∆ after adjusting items – see note 5
† restated – see note 31

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

	2016 Year end	2016 Average	2015 Year end	2015 Average
Pounds sterling	**0.81**	**0.73**	0.68	0.65
Euro	**0.95**	**0.90**	0.92	0.90

Provisions

The Group records a provision in the balance sheet when it 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. The Group calculates provisions on a discounted basis. At the end of 2016 the Group held provisions of $39.2 million (2015: $38.4 million), consisting of environmental provisions of $31.4 million (2015: $29.5 million), self insurance provisions of $2.5 million (2015: $3.1 million) and restructuring and other provisions of $5.3 million (2015: $5.8 million). Within environmental provisions, which increased by $1.9 million in 2016, there was reduced spending of $6.1 million (2015: $9.1 million) offset by an increase in the provision relating to the closed Eaglescliffe site ($3.5 million) and an adjustment relating to the discount rate used to calculate the liability ($4.5 million), both of which have been treated as adjusting items. The self insurance provision represents the Group's estimate of its liability arising from retained liabilities under the Group's insurance programme. Within the restructuring and other provisions categories, which were set up following various adjusting charges made during 2015 and 2016, the $5.3 million balance includes the remaining liability under a right of first refusal agreement, a provision for an ongoing regulatory case in Europe and future payments relating to reorganisation measures taken during 2015 and 2016. $2.2 million was spent against these provisions in 2016.

Pensions and other post retirement benefits

	2016 $million	2015 $million
Net (surplus)/liability:		
UK	**(4.3)**	(6.7)
US	**29.4**	30.7
Other	**5.0**	5.0
	30.1	29.0

UK plan

The largest of the Group's retirement plans is the UK defined benefit pension scheme ('UK Scheme') which at the end of 2016 had a surplus, under IAS 19, of $4.3 million (2015: $6.7 million). The UK Scheme is relatively mature, with approximately two thirds of its gross liabilities represented by pensions in payment, and is closed to new members. Positive asset returns in the year of 19 per cent (2015: negative 2 per cent) partially offset the $24.2 million financial cost of liabilities (2015: $27.4 million) and other liability adjustments of $110.8 million (2015: $57.2 million improvement) which arose due to lower discount rates based on real corporate bond yields. Company contributions of $3.3 million were substantially lower than the $21.1 million paid in 2015 as a result of the funding agreement that was reached with the UK Trustees in 2015 following the September 2014 triennial valuation. Under this agreement the funding deficit is expected to be eliminated by 30 September 2018 and the maximum annual contributions by the Company for any year, in pounds sterling, are as follows:

Year payable	Amount (£million)
2017	5.2
2018	3.9

US plans

In the US, the Group reports two post retirement plans under IAS 19: a defined benefit pension plan with a deficit value at the end of 2016 of $23.1 million (2015: $24.4 million), and a post retirement medical plan with a liability of $6.3 million (2015: $6.3 million). The US pension plan is smaller than the UK plan and is closed to future accruals. In 2016 the overall deficit value reduced by $1.3 million as the financial cost of the liability for the year of $5.4 million (2015: $5.1 million) and actuarial increases on the liability of $3.1 million (2015: reduction of $4.1 million) exceeded the benefit of the improved asset returns of 8 per cent (2015: decline of 0.2 per cent) and employer contributions of $2.2 million (2015: $2.7 million).

Other plans

Other liabilities at 31 December 2016 amounted to $5.0 million (2015: $5.0 million) and relate to pension arrangements for a relatively small number of employees in Germany and certain UK legacy benefits.

Key performance indicators

The Group maintains a standard set of key performance indicators (KPIs) against which each business reports on a monthly basis. The principal financial KPIs are listed below. The Group's main non-financial KPIs relate to our health, safety and environmental performance. These KPIs are recordable incidents, lost time accidents and environmental incidents which are described more fully in the Corporate responsibility report.

Our short term incentives include targets against the annual operating plan for profit before tax, operating profit and average trade working capital to sales ratio.

Our long term incentives include targets against EPS and total shareholder return which are a subset of the Group's financial KPIs.

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, after adjusting items, to sales. The Group achieved an operating profit of $94.2 million^Δ for the year ended 31 December 2016 (2015: $121.5 million^Δ†). The Group's operating margin^Δ was 14 per cent compared to 18 per cent in 2015.

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, changes due to currency movements and items classified as other receivables and other payables. The Group's 12 month average trade working capital to sales ratio at 31 December 2016 was 22 per cent (2015: 25 per cent).

3. Return on operating capital employed

The return on operating capital employed ('ROCE') is defined as operating profit after adjusting 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 retirement benefit obligations. The Group's ROCE was 28 per cent for the year ended 31 December 2016 (2015: 35 per cent).

ROCE for the Group including goodwill was 14 per cent in 2016 (2015: 18 per cent).

4. Contribution margin

The Group's contribution margin, which is defined as sales less all variable costs, divided by sales and expressed as a percentage, in 2016 was 47 per cent (2015: 46 per cent).

5. 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 adjusting items. In 2016 the operating cash flow was $96.0 million^Δ (2015: $102.5 million^Δ†).

Δ after adjusting items – see note 5
† restated – see note 31

Risk management report

The risk management approach at Elementis is mature and well defined. The Board has overall responsibility for setting policy, culture and tone, and providing support and oversight to management. The CEO, supported by his leadership team, is responsible for implementing Group policies, risk management performance, identifying principal risks and ensuring resources are allocated for effective risk management and mitigation. The Audit Committee plays an important role in supporting the work of the Board and has specific responsibility for monitoring financial reporting, as well as the internal and external audit programmes, one of the primary purposes of which is to provide assurance on financial, operational and compliance controls. (See also Audit Committee report.)

The implementation of a new, flatter and more accountable organisational structure by the CEO has helped to introduce greater transparency in the risk management process. One of the benefits is that there is more focus at leadership team meetings on principal risks and how these should be prioritised and mitigated. Another key change introduced last year was that the Global HSE function was made to report directly to the CEO, putting operational safety and our environmental performance at the heart of our priorities.

The Elementis leadership team, which comprises the CEO, CFO and leaders of the business areas and global functions, meets every month and HSE and risk management are standing agenda items. In 2016, the leadership team carried out a review of the Group's business continuity plans, as well as its annual risk review. The result of the risk review was the identification of the principal risks that are presented in this risk management report. These principal risks were also considered by the Board.

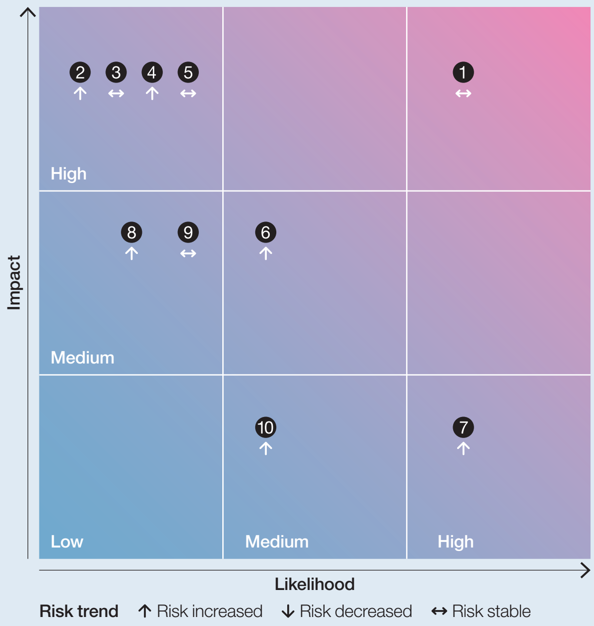
Risk review process

The risk review carried out by the leadership team and Board involved identifying more than 50 risks and assessing these by impact (strategic, financial, operational and reputational) and likelihood of occurrence. Mitigation controls were also considered. In terms of severity of financial impact, a materiality threshold of $5 million in operating profit was set for the purposes of selecting the ten principal risks that are disclosed overleaf. This compares to nine risks disclosed last year. Excluded from the list this year are lack of growth opportunities and energy sector volatility.

Changes in principal risks from last year

Many of the risks from last year are disclosed again this year because it remains appropriate to do so. However, in some cases, more granularity is given. For example, increased regulation and technology obsolescence (disclosed together last year) are disclosed as separate risks this year. We also disclose as a principal risk: Industrial espionage, workplace security and loss/theft of intellectual property. None of these are necessarily new risks but disclosed to provide more specificity. For example, industrial espionage would have been included under cyber security last year, workplace security under operational incident and loss or theft of intellectual property also under cyber security.

Principal risks and uncertainties



1	Uncertain global economic conditions and competitive pressures in the marketplace (including from currency movement).
2	Business interruption as a result of a major event (e.g. operations/HSE, IT, transport or workplace incident caused by process/system failure, and/or human error, or by fire, storm and/or flood), or a natural catastrophe (e.g. a hurricane, pandemic and/or terrorist incident).
3	Business interruption as a result of supply chain failure of key raw materials and/or third party service provision (e.g. infrastructure, transport or IT failure).
4	Increasing regulatory and product stewardship challenges.
5	Major regulatory enforcement action, litigation and/or other claims arising from products or historical and/or ongoing operations.
6	Talent management and succession planning: failure to attract, manage, develop and/or retain key talent.
7	Cyber security incident: systems security breach and loss of network connectivity and integrity, and/or loss of business and personal data.
8	Industrial espionage, workplace security and loss/theft of intellectual property.
9	Disruptive technology advances: failure to identify and mitigate the threat posed by new or imitation technology.
10	Changes in international tax policy.

Risk management report continued

The inclusion of changes to international tax policy as a principal risk this year (last included in 2014) reflects the perception that the risk has increased in prominence from last year. Regulators are increasingly asking for greater transparency in tax reporting. Our approach to taxation is to ensure that profits earned in the countries in which economic activities are undertaken are properly subject to tax in accordance with the tax legislation that applies in each jurisdiction. We aim to fully comply with the requirements of each of the relevant tax authorities and to ensure that we deal with these authorities in an open and transparent manner.

Lack of growth opportunities was removed from this year's list of principal risks not because it has ceased to be a risk but because the Company has specifically set out a number of strategic priorities to reignite growth that involve self help as described in the CEO's overview. More details are provided on pages 6 to 7. Energy sector volatility is also omitted this year. Whilst volatility and uncertainty remain risks, leading indicators, such as oil price and rig count data, suggest that the sector has reached a trough and is gradually recovering.

Brexit risks

As reported in the 2016 Interim Results announcement, in response to the outcome of the vote in the British referendum on membership of the European Union on 23 June 2016, the Board reviewed a number of risks to the Group of 'Brexit', including sterling depreciation, UK and EU economic depression, increased cost of capital and trade tariffs, and has considered there to be no material impact on the principal risks faced by the Group. The Board has not changed its position on this assessment.

Risks and their link to strategy

The most significant challenges facing the Group in 2017 are risks that impact on the Group's ability to deliver its operating plan, achieve the strategic priorities (set out on pages 6 to 7) and generate and preserve value for shareholders over the longer term.

Principal challenges	Principal risks
Deliver operating plans	1, 3, 7, 8, 10
Achieve strategic priorities	6, 9
– Global key account management	1
– Asia growth	1, 4
– Personal Care growth	4, 9
– Supply chain transformation	2, 3
– Innovate for distinctiveness	4, 9
– Culture of high performance	6
Generate and preserve value	5, 9, 10

The recently announced acquisition of SummitReheis also presents certain risks if the actions required to close the transaction and the integration are not managed well. However, these are key areas of focus for the Board and leadership team.

Risk trends

Risks 2, 4, 6, 7, 8 and 10 are shown as increasing. In most cases the increases in trend refer to both impact and likelihood, based on Company experience, industry data and loss prediction through modelling or scenario analysis. However, risk trends are also based on the perception that the risk will impact the business financially or operationally in a more material way than previously considered, or the risk is more likely to occur than before. The assessments on impact and likelihood are not scientific but necessarily judgemental in nature and allow management to prioritise its focus and actions.

How we manage and mitigate major risks

This is set out in the table on pages 19 to 21.

Business viability assessment

The Board's going concern and business viability statements are set out in the Directors report on pages 60 to 61.

The basis of the assessment includes a detailed review of strategic and operating plans, underpinned by one and three year financial forecasts including profit and loss and cash flows. Consideration is therefore given to capital expenditures, investment plans, returns to shareholders and other financial commitments, as well as to the Company's debt bearing capacity, its financial resources, borrowings and the availability of finance. No review of business plans and financial forecasts is complete without a robust assessment of the risks and opportunities in such planning models and the assumptions used. These reviews include consideration and discussion of the materials prepared and presented to the Board by management and its advisers (where appropriate), as well as additional information requested by the Board.

The Board's programme of monitoring major risks is therefore an important component of the business viability assessment. Business and segment growth scenarios, rate of return on investments, assumptions on global GDP growth rates, relevant currency rates and commodity prices in business plans and financial forecasts are all considered, with stress testing on financial models where appropriate. Finally, a review of litigation and tax reports, legal and compliance risks throughout the year and at a formal year end risk review ensure that the viability statement is made with a reasonable degree of confidence.

Table of principal risks and uncertainties

	Risk	Impact and link to strategy	Mitigation
1	Uncertain global economic conditions and competitive pressures in the marketplace (including from currency movement). ↔ **Severity** ↔ **Likelihood**	– Suboptimal global economic conditions can affect sales, capacity utilisation and cash generation, as well as increase competitive pressure in the marketplace, impacting profitability and operating margins. – The resultant non-delivery of operating plans can lead to market expectations of Group earnings not being met and slower delivery of stated strategic priorities.	– Specialty Products is well positioned against a deterioration in economic conditions due to its balanced geographical footprint, broad differentiated product offering and the broad application of its technology across different sectors. – Chromium business model is flexible and can be adapted to respond to variances in regional demand patterns. – Financial performance (including monthly sales, profit and cash flows) is closely monitored with full year forecasts updated three times a year and variances investigated and explained. – 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. – Currency hedging taken out as appropriate.
2	Business interruption as a result of a major event (e.g. operations/HSE, IT, transport or workplace incident caused by process/system failure and/or human error, or by fire, storm and/or flood), or a natural catastrophe (e.g. a hurricane, pandemic and/or terrorist incident). ↔ **Severity** ↑ **Likelihood**	– Such incidents can disrupt our operations, impact capacity utilisation and add to operating costs, as well as damage reputation, and slow delivery of stated strategic priorities.	– Good housekeeping, preventative maintenance, process and other safety procedures help to mitigate the effects of a major incident. – Reliance on hectorite mine and flood risk mitigated by the installation of drainage pumps at the mine in 2011. – Insurance programme and business continuity plans that are tested regularly help to mitigate the effects of a major incident. – HSE management programme in place that includes corporate compliance audits involving third party specialists, where appropriate, and insurance property surveys.
3	Business interruption as a result of supply chain failure of key raw materials and/or third party service provision (e.g. transport, infrastructure or IT failure). ↔ **Severity** ↔ **Likelihood**	– Disruption to supply chain (e.g. third party service, infrastructure, transport or IT failure) can impact capacity utilisation and add to operating costs and result in slower delivery of stated strategic priorities.	– Raw materials are sourced from a broad and diverse supplier base. – Strategic holding of key raw materials. – Transport and carrier mitigation plans and insurance in place. – Careful vetting, selection and audits/reviews of major suppliers.
4	Increasing regulatory and product stewardship challenges. ↑ **Severity** ↑ **Likelihood**	– New regulations restricting the use or carriage of chemicals can lead to loss of applications and sales and/or add to operating costs, and slower delivery of stated strategic priorities.	– Active REACh programme in which the businesses participate in industry consortia, providing data and information to regulators and experts, to support safety reviews of our products in a broad range of applications. – Strong global Product Stewardship team in place to support the businesses. – R&D team aims to develop new products and technologies for use in an evolving market to meet the changing needs of our sophisticated customers and in response to regulatory changes.

Key: Risk trends ↑ Risk increased ↓ Risk decreased ↔ Risk stable

Risk management report continued

Risk	Impact and link to strategy	Mitigation
5 Major regulatory enforcement action, litigation and/or other claims arising from products and/or historical or ongoing operations. ↔ **Severity** ↔ **Likelihood**	– Can lead to higher operating costs and reputational damage, and result in slower delivery of stated strategic priorities as management's focus and attention is distracted.	– Active compliance and risk management programmes in place (including policies, procedures and training). – Insurance programme and risk transfer strategy in place to mitigate financial losses. – Experienced General Counsel supported by in-house and external legal teams. – Regular reviews of litigation and compliance reports by the Board and role of the Audit Committee, as well as the internal audit programme, help ensure these key risks are managed effectively.
6 Talent management and succession planning. ↑ **Severity** ↑ **Likelihood**	– Failure to attract, manage, develop or retain key talent can lead to loss of employees, disrupt growth plans and/or critical business functions, and result in slower delivery of stated strategic priorities.	– Experienced Chief HR Officer supported by in-house and external consulting teams. – Management and critical business leader succession planning is a key area of focus for the Board and leadership team that is kept under review. – Implementation of a global HR management system last year to introduce greater systematic processes and transparency, including job grading, to facilitate talent review, reward and succession planning. – Talent review using the nine box matrix talent model.
7 Cyber security incident. ↑ **Severity** ↑ **Likelihood**	– Systems security breach and loss of network connectivity and integrity can disrupt key operations and add to operating costs. – Loss of business and personal data can disrupt key operations and add to operating costs, and result in slower delivery of stated strategic priorities.	– Experienced Chief Information Officer supported by in-house and external consulting teams, with oversight from IT Steering Committee chaired by the CEO. – Security controls that include: policies and procedures; staff awareness and training; risk management and compliance; systems and information management and protection; process management; and continuous assessments and monitoring. – Use of regional back-up data centres in third party locations, cloud-based systems with secure entry point and administration controls, encryption technology and multiple authentication systems, and website-blocking and next generation firewalls with intrusion detection capability. – Business continuity and emergency response plans exist that aim to restore network connectivity, recover lost data and return operations to their normal pre-incident level.
8 Industrial espionage, workplace security and loss/theft of intellectual property. ↔ **Severity** ↑ **Likelihood**	– Such incidents can disrupt key operations, add to operating costs, distract management attention and damage reputation, as well as result in slower delivery of stated strategic priorities.	– HR processes in place to ensure all new hires undergo appropriate background and reference checks. – Implementation of security arrangements at work locations, such as secure entry points/barriers/gates and CCTV or other alarm/monitoring systems in place. Security assessments and compliance audits are carried out, and employees are given safety briefings and training where appropriate. – Employment and computer use policies (supported by training) ensure employees are made aware of their obligations with regards to confidential information and access controls exist to protect intellectual property.

	Risk	Impact and link to strategy	Mitigation
9	Disruptive technology advances: failure to identify and mitigate the threat posed by new or imitation technology. ↔ **Severity** ↔ **Likelihood**	– New technology, methods of production or processes can give competitors a market advantage, and result in slower delivery of stated strategic priorities.	– R&D team aims to develop new products and technologies for use in an evolving market to meet the changing needs of our sophisticated customers and in response to competition.
10	Changes in international tax policy. ↑ **Severity** ↑ **Likelihood**	– Changes in international tax policy can lead to uncertainty and non-compliance with local tax regulations, poor forecasting of applicable tax rates or miscalculation of the appropriate amount of tax, all of which can negatively impact financial performance, incur additional costs and damage reputation.	– Experienced CFO supported by finance and tax team, as well as professional advisers, with Board oversight ensure tax planning and compliance is given appropriate attention. – Group tax rate is monitored closely with at least four updated forecasts each year. – Tax reports and forecasts reviewed by the Board at least twice a year. – Role of internal audit and use of professional advisers on transfer pricing arrangements and tax compliance.

Key: Risk trends ↑ Risk increased ↓ Risk decreased ↔ Risk stable

These principal risks and uncertainties should be read in conjunction with note 29 on contingent liabilities on page 107.

Ralph Hewins
CFO
1 March 2017

Corporate responsibility report

Operating safe and secure facilities in a responsible manner is one of our top business priorities. This means keeping our people safe by providing them with a work environment that is hazard-free, wherever possible, and the necessary training and support to enable them to perform their day to day duties without getting hurt. It also means managing our businesses to high standards and in compliance of applicable laws and regulations, as well as the impact that our activities can have on the environment both globally and locally.

Our responsibilities can be summarised as:

- **People.**
- **Safety.**
- **Environment.**
- **Supply chain.**
- **Product stewardship.**

FTSE4Good

RSPO
Roundtable on Sustainable Palm Oil

Leadership

Our Board sets the tone for our overall approach to and culture on corporate responsibility (CR) matters, and exercises oversight in this area, whilst the CEO and leadership team are responsible for setting day to day policies and keeping our performance under review.

Over the years, Elementis has participated in various programmes to demonstrate its commitment to corporate responsibility and sustainability issues. These have included the following:

- Achieving membership of the FTSE4Good index, a leading global responsible investment index, since September 2009.
- Supporting the principles of the UN Global Compact on human rights, labour, environment and anti-corruption.
- Managing our facilities to standards established by globally recognised institutions such as the National Fire Protection Association, International Society of Automation and American Petroleum Institute. Elementis is also an active member in several associations such as the California Construction and Industrial Materials Association, the Royal Society for the Prevention of Accidents and is a business member of the European Chemical Industry Council.
- Achieving accreditation certificates: of our 18 operating facilities, nine have achieved ISO 9001 (quality management) certification, five have achieved ISO 14001 (environmental management) certification, three have achieved OHSAS 18001 (safety management) certification and our other sites are managed to similarly high standards.
- Performing at the highest levels: our principal chromium facility in Castle Hayne, North Carolina, is accredited under the STAR programme, which is the highest recognition level under OSHA's voluntary protection programme that recognises employees and employers who have achieved exemplary occupational safety and health.
- Participating since 2013 in the Carbon Disclosure Programme and winning an award in 2014 for the biggest improvement in disclosure rating.
- Achieving certification under Roundtable for Sustainable Palm Oil (RSPO) for our organoclay range of products in 2014 and our Bentone gels product range in 2016, as well as Good Manufacturing Practice (2012) certification in 2014 from the European Federation for Cosmetics Ingredients. The primary beneficiary of these certifications is our Personal Care sector as it demonstrates our commitment to quality, safety, sustainability and innovation for the personal care industry.
- Participating in the EcoVadis sustainable supply management programme and achieving silver recognition in 2014.
- Participating in other sustainable initiatives, such as the Repasack programme, which recycles and reuses bags for packaging products.

The above is not an exhaustive list of achievements but an indication of the activity that takes place routinely. There are many more successes and achievements on both a team and individual level that frequently go unnoticed or unreported which Elementis can be proud of. Some examples of these are given later.

People
Our greatest asset is without doubt our employees. Their dedication and hard work is what drives our success at all levels within the organisation. Despite being spread across three regions (39 per cent in the Americas, 26 per cent in Europe and 35 per cent in Asia), our employees identify with a single set of corporate values which are to be innovative, successful, responsible and leaders in the sectors in which we operate. To foster our performance and success culture, the leadership team provides the example for others to follow and we have policies and guidance that encourage and support positive behaviours.

Our values and standards of business conduct and ethics
The Elementis Code of Conduct (the 'Code') sets out our core values and the standards of conduct expected of everyone who works for Elementis in any of its worldwide operations. Our values are:

- Being a responsible employer.
- Having high levels of concern for the health and safety of the Group's employees, contractors, customers, neighbours and the general public.
- Caring about the environment and communities in which the Group operates, including making a commitment to promote and adopt sustainable and responsible business policies and practices.
- Maintaining high standards in business conduct and ethics, including complying with all applicable laws and regulations.
- Desiring to innovate and create new products and technologies to support growth in the Company and develop solutions for our customers to improve the performance of their products and processes.

The Code is based around five core principles of conduct and it is expected that everyone to whom this code applies will:

- Behave with Honesty and Integrity.
- Follow the Letter and Spirit of the Law.
- Treat each other Fairly.
- Act in the best interests of Elementis.
- Protect Elementis's property and documents.

Under each principle are more detailed provisions to guide employees on the behaviour and standards that are expected of them. The areas covered include the following: fair dealing, confidentiality and privacy, record keeping, communications, trade practices and anti-trust compliance, insider trading and fair disclosure, bribery and other corrupt practices, product liability, international business dealings, political contributions and activities, maintaining a safe, healthy and affirmative workplace, equal opportunities, anti-harassment, offensive materials, alcohol and drugs, conflicts of interest, gifts and hospitality, theft and misuse of Company assets, corporate opportunities, intellectual property, and network use, integrity and security.

To help employees understand and adopt these values, principles and standards in their daily work life, information and training is provided, supported by comprehensive whistleblowing procedures and an anti-retaliation policy. All new employees are required to undertake training on the Code and refresher training is given to all employees periodically. The Board and leadership team consider the Code to be critical to the Group's continuing success and in how it meets its corporate responsibilities.

The Code is translated into six languages and supported with interactive online training to help employees stay up to date with their responsibilities.

Underpinning our Code is a compliance training programme. During the year, the CEO established a cross functional Elementis Compliance Team ('ECT') that meets on a quarterly basis to consider compliance training needs and improvements, assign training courses to all and selected groups of employees and monitor training completion rates. The ECT considers possible improvements and makes recommendations on identifying and mitigating compliance risks for the Company. The ECT reports to the General Counsel and Chief Compliance Officer. Examples of training courses in 2016 include: global health and safety, information security, preventing sexual harassment and trade secrets.

Diversity
We are fully committed to equality of opportunity and our policy of non-discrimination applies throughout the Group and to all aspects of our employment practices. A summary of our employment policies appears on page 60 of the Directors' report. Further information about what the Board is doing on gender diversity at Board and below Board level is set out in the Corporate governance report on page 33.

Our total workforce (including contractors and temporary workers) numbers around 1,400 and the table below shows the breakdown by gender diversity for different managerial groups.

Gender diversity statistics (at 31 December 2016)

		Male		Female
All employees	976	75.9%	310	24.1%
Management	218	79.0%	58	21.0%
Executive management*	208	78.5%	57	21.5%
Senior manager**	22	95.7%	1	4.3%
Board***	6	66.7%	3	33.3%

* defined as being within the four tiers below Board level
** as defined under the prescribed regulations
*** as at 1 March 2017

We consider diversity of our people, in all its aspects, an important element in the well-functioning of our business. Appointments shall always be made on merit and we seek to leverage the benefits of a wide and diverse talent pool. Staff turnover across the Group for 2016 was 6.3 per cent (2015: 5.4 per cent).

Human rights

We support the statements in the Universal Declaration of Human Rights, as well as the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the latter being freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation. We also support the principles of the UN Global Compact which includes those on fundamental human rights. We prohibit the use of child and forced labour and are committed to the principles of freedom of association, equality of treatment and non-discrimination. Over 40 per cent of our employees are union members and just under 30 per cent are subject to collective bargaining agreements.

Business practices are in place with our contractors, customers and suppliers in relation to anti-corruption, privacy and safety matters.

Modern slavery

In many countries, modern slavery (e.g. forced or child labour) is a crime and a violation of fundamental human rights. Elementis's policy is to prohibit the use of modern slavery in all its forms in our business activities and we have taken the following steps to ensure the absence of modern slavery practices from our Company and supply chain:

- Recruitment and employment policies make it clear that any form of modern slavery is prohibited and will not be tolerated, and incorporate appropriate checks and vetting when taking on new employees.
- Our Purchasing Code of Practice was updated last year to incorporate additional requirements to ensure compliance with the Modern Slavery Act 2015. These include notifying suppliers of our policy, carrying out risk assessments on suppliers and supplier audits on a periodical basis.

The required Modern Slavery Act compliance statement will be published on our corporate website later in the year.

Health, Safety and Environment

Commitment and strategy

We are committed to providing a healthy and safe workplace for employees, contractors and site visitors, and minimising our impact on the environment from our operations.

Beyond preventing environmental incidents and pollution, and managing emissions, discharges and waste, we have a shared responsibility globally for conserving natural resources, identifying initiatives to lessen the effects on biodiversity and reducing greenhouse gas emissions.

This commitment reflects a culture within Elementis that is ethical and respects the expectations of the communities in which we operate, as well as the regulatory agencies, to comply with all applicable laws and regulations. We recognise the importance of environmental, social and governance ('ESG') expectations of our external stakeholders and aim to meet these too.

Leadership

The CEO is responsible for health, safety and environment ('HSE') at Elementis. Reporting directly to the CEO, the VP Global HSE works closely with his HSE team and operations management on HSE policy, planning, performance, hazard and risk assessment, training, improvement and investment. An illustration of our HSE management system is shown below.

Health and safety principles

We have a dedicated and experienced team to lead our safety programme. Recognised and generally accepted good engineering practices are followed in line with industry standards. Site management supported by our Group HSE staff continually strive to create an injury free work environment by promoting safe behaviours and developing a culture where safety is not compromised by operational pressures. Internal and external audits are conducted to verify that standards are being met and to identify opportunities for improvement.

Safety performance

We use recordable incidents as our principal measure of safety performance. Recordable incidents (as defined by the US Occupational Safety and Health Administration) are work related injuries and illnesses that require medical treatment beyond first aid, work restrictions to normal duties or time away from work. To monitor performance and trends among more serious injuries and illnesses, we also record lost time accidents ('LTA') that require greater than three days away from work not including the day of incident.

We are pleased to report that there were no fatalities to employees or contractors working at our sites during 2016 (2015: zero).

There were 13 recordable incidents across the Group in 2016 (2015: ten). Of those recordable incidents five required days away from work greater than three days (2015: two). The most concerning incident occurred during a routine operation when two employees received acid burns whilst offloading sulphuric acid from a railcar. The Board, CEO and leadership team took this incident very seriously and arranged an all employee call to review learnings from the incident and agreed actions to prevent a repeat. In addition, the CEO has taken action to address the increasing trend. This includes making the Global HSE function report directly to him and increasing the level of HSE leadership and visibility at both the leadership team and throughout the Group.

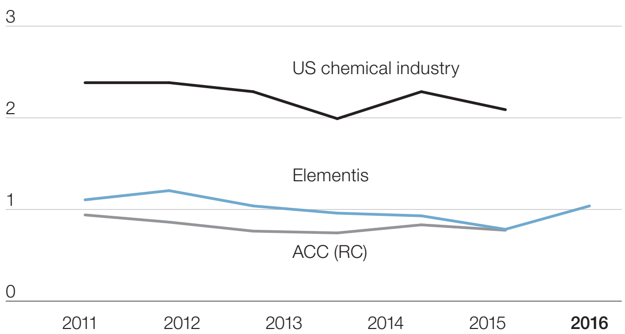
During 2016, three of our manufacturing locations achieved significant safety performance milestones and were presented with the Elementis Diamond Award for safety excellence. The sites and the milestone in which they achieved are:

- Hectorite mine – for exceeding 25 years without a recordable accident requiring time away from work.
- Corpus Christi – for exceeding 13 years without a recordable incident.
- Changxing – for exceeding 14 years without a recordable incident.

As well as the total number of recordable incidents, we use the total recordable incident rate ('TRIR') as a performance indicator. The TRIR in 2016 was 1.03 per 200,000 hours worked (2015: 0.77). The accompanying chart shows that our performance has been maintained at around one recordable incident per 200,000 hours. Within the chemical industry, this is very similar to companies that are generally viewed as having 'industry best' safety performance based on data for the American Chemistry Council ('ACC') Responsible Care® ('RC') members (who achieved 0.76 in 2015, the latest data available). This performance is significantly better than the general chemical industry in the US (2.1 in 2015, the latest data available from the US Bureau of Labor Statistics). That said, our goal is zero incidents.

Recordable incident rate

Recordable incidents per 200,000 hours worked



Contractor safety

Our commitment to safety includes contractor safety. Contractor selection and retention takes account of their safety performance. When on site, following induction, contractors are required to comply with the same safety practices and procedures expected of employees. As a result, we are confident that contractors experience a similar high level of safety to our own employees. In 2016, there was one recordable injury suffered by a contractor across all manufacturing locations (2015: two).

Health and safety initiatives

During 2016, our leadership team continued to focus on both occupational health and safety and process safety improvements. A major initiative in 2016 was the introduction of the DuPont™ 'TakeTwo…*for Safety*™' programme encouraging employees to stop and think in a structured way about potential hazards before starting a task. Training is given in local languages appropriate to the location of the site.

Our process safety programmes include process hazard analyses ('PHA') on installations handling highly hazardous chemicals and Pre-Startup Safety Reviews ('PSSR') before commissioning key equipment. Mechanical integrity inspections are conducted as a predictive and preventative exercise to reduce the likelihood of incidents.

As in previous years, there are corporate and site-specific objectives established with the management of each manufacturing location. Corporate objectives address general opportunities to improve performance, based for example on industry best practice, or learnings from incidents across the Group. Site-specific objectives reflect the particular needs at each location, as well as to align practices with corporate objectives.

A further initiative in 2016 was the development of key performance metrics made up of leading indicators. By tracking performance on activities such as near miss reporting, management of change, PHA and audits, the aim is to identify vulnerabilities that could lead to incidents. Standard lagging indicators such as the TRIR are still reported to show the effectiveness of safety management.

Safety and environmental incident management

We remain well prepared to manage safety and environmental incidents in a timely and resilient way should the need arise.

Formal procedures for incident reporting, emergency response and investigation are in place. In the event of a serious incident details will be communicated rapidly to emergency services and senior management. Operations teams are trained to ensure safe evacuation and plant shut down. Sites handling hazardous materials have employees trained to deal with leaks and environmental spills, and arrangements are in place to access the services of external contractors with expertise in dealing with larger releases. Corporate and local Business Continuity Plans have been in place since 2006 and these are rehearsed at site and corporate level as a commitment for timely and effective business recovery in the event of a major accident or environmental incident.

On a day-to-day basis, incident reporting continues to be a key management tool for reporting, investigating and acting on unsafe conditions and behaviours, and environmental spills and releases.

Employees are encouraged to report safety near misses and environmental leaks and spills. The benefit is that these reports are recognised as warnings of the potential for more serious incidents in slightly different circumstances. The number of reports submitted shows widespread commitment and understanding of this concept by our employees. In addition, our leadership team routinely communicate current safety concerns and reinforces commitment to safety by a variety of means such as issuing safety alert bulletins based on learning from incidents, and safety stand-downs where time out is taken to discuss safety with management. Company-wide teleconference calls are held during the year to discuss safety messages from the CEO and Vice President of Global HSE.

Environmental impact

Our activities are closely regulated via robust environmental permits, which Elementis complies with.

We record and categorise environmental incidents into tiers based on the severity 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 and where enforcement action is likely. 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.

In 2016, we maintained a high level of environmental performance. There were no Tier 3 or Tier 2 incidents (2015: zero Tier 3; zero Tier 2).

Biodiversity

Our policy is that biodiversity, the variety and variability of life, should be protected insofar as it is reasonably practicable by reducing or avoiding the impact on, and potential for damage to, sensitive species, habitats and ecosystems as a direct or indirect result of our operations or activities.

Biodiversity surveys are conducted at all of our 18 global facilities which help to frame our actions. These plans are based on site level impact assessments and ensure that biodiversity considerations are taken into account.

Our membership of RSPO means Elementis is committed to protecting and conserving the rich biodiversity found in tropical palm forests by using palm oil sourced from sustainable palm plantations that are responsible and responsive to the issues of soil degradation, biodiversity, local peoples and land rights.

Other examples of our efforts and specific action plans implemented to enhance biodiversity can be found on our website.

Environmental performance

We monitor key environmental statistics for each manufacturing facility. Energy and water consumption, air emissions, effluent discharges and solid waste disposal will all vary according to production output – which is a function of demand – as well as changes in fuel and production processes. However, they are also affected by changes in product mix and plant efficiencies related to operational requirements, and special events (planned and unplanned).

As is standard practice in the chemical industry, emission values may be calculated from energy use or based on representative sampling, as well as continuous monitoring.

We continue to work proactively to improve environmental performance. Performance during 2016 is shown in the following sections.

Energy consumption

We consume energy from several sources (electricity, steam, natural gas, LPG, biomass and oil) at manufacturing sites, principal offices and laboratories. For comparison purposes, energy consumption is converted into consistent energy units, Gigajoules (GJ).

Energy consumption reduced in 2016 as shown in Table 1 below.

How we are improving energy efficiency

We look for opportunities to improve our energy efficiency as it lowers cost and reduces our impact on the environment. Examples of initiatives include the following:

- The Delden facility in the Netherlands completed the final year of a four year energy efficiency initiative. We replaced the nitrogen compressor unit and invested in a boiler plant room to bring substantial energy savings projected to be over 10,000 GJ per year.
- The building optimisation project at SciPark in East Windsor, New Jersey, which comprises a technical centre and management headquarters, is achieving 11 per cent savings on gas consumption and 10 per cent on electricity consumption since the programme was started.

Greenhouse gas emissions

Global warming and climate change are global concerns that are affected by greenhouse gas ('GHG') emissions. We report GHG emissions for our global operations as Scope 1 and Scope 2 according to the requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Our GHG emissions reporting process was audited by PricewaterhouseCoopers, our internal auditors, during 2015. The audit report found the procedures to be appropriate and the data collection and conversion process to be robust and supportable.

The principal GHG due to operations at Elementis locations is carbon dioxide from energy use. These GHG emissions are calculated from energy purchased. Energy units are converted into carbon dioxide equivalent ('CO_2e') using official data provided by the UK Department for Environment, Food and Rural Affairs ('DEFRA'). DEFRA data was used for UK generated electricity. Emission factors associated with non-UK electricity consumption in 2016 were derived from International Energy Agency ('IEA') data. These factors vary significantly between countries and from year to year depending on the fuel mix for generation and proportion of imported electricity.

There are also GHG emissions from chemical reactions in production processes, waste water treatment and carbon dioxide used for process cooling. GHG emissions are reported for all 18 manufacturing sites, the principal offices and laboratories, as well as a site undergoing closure procedures in Eaglescliffe, UK. A number of much smaller sales offices have been excluded because the level of CO_2e emissions was deemed not to make a material contribution to the total.

We provide two intensity ratios: tonnes CO_2e per tonne of production and tonnes CO_2e per kWh of energy consumed. Over a period of years both of these indicators should give an indication of energy efficiency improvements including cleaner fuels consumed. Note that the intensity ratios are subject to variations due to changes in the mix of products manufactured, volumes and energy efficiency improvements.

GHG emissions are shown in Table 2 below.

Table 1: Energy consumption

	2016		2015		2014	
	Absolute ('000s)	**Per tonne of production**	Absolute ('000s)	Per tonne of production	Absolute ('000s)	Per tonne of production
Energy consumed (GJ)	**4,794**	**12.5**	4,864	12.7	5,046	12.1

For reference: one GJ = 277.7778 kWh

Table 2: Greenhouse gas emissions

	Current reporting period (2016)	Prior year for comparison (2015)	Base year for comparison (2013)
Scope 1: Combustion of fuel and operation of facilities (tonnes CO_2e)	**194,687**	208,610	221,076
Scope 2: Electricity, heat, steam and cooling purchased for own use (tonnes CO_2e)	**88,365**	78,750	89,500
Total Scope 1 & 2 (tonnes CO_2e)	**283,052**	287,360	310,576
Intensity ratio: (tonnes CO_2e/tonne production)	**0.74**	0.75	0.77
Supplementary intensity ratio: (kg CO_2e/kWh energy consumed)	**0.26**	0.26	0.27
Out of Scope: Biofuel (tonnes CO_2e)	**7,904**	3,408	0

Note: CO_2e values were derived using DEFRA and IEA published factors

In this fourth year of GHG emissions reporting, table 2 shows that the total Scope 1 and 2 CO_2e emissions in 2016 have reduced by 9 per cent since the base year. In part the total is affected by changes in production volumes and product mix. However, a significant and sustainable improvement was achieved in 2015 when the organoclay sites in China at Changxing and Anji switched from using coal to biomass, comprised of renewable organic material (bamboo and wood pellets), as an energy source. Following guidance from DEFRA, CO_2 emissions from biofuel use are excluded from the Scope 1 total to balance the CO_2 absorbed by fast growing bioenergy sources during their growth. For completeness these CO_2 emissions are shown as out of scope emissions. However, a CO_2e allowance is included in the Scope 1 total to account for the small amount of methane and nitrous oxide GHG emissions, which are not absorbed during growth.

Elsewhere we continue to use cleaner energy sources such as natural gas, which represented 96 per cent of energy required for combustion.

Other emissions to air

Emissions of the oxides of sulphur and nitrogen, and volatile organic compounds ('VOCs'), arising from our operations are controlled to comply with regulatory permits. As the volumes are not considered to be significant, they are not reported separately here but will be available on our corporate website. Any emission to air above regulatory permitted levels would normally be reported as an environmental incident.

Discharges to water

Our production activity generates process effluent that is routinely tested to ensure that the quality meets strict permit limits prior to discharge. Typical analysis includes chemical and biological oxygen demand and total suspended solids. The volumes of these discharges are not considered to be significant and are not reported here but will be available on our corporate website. However, any discharge to water above regulatory permitted levels would be reported as an environmental incident.

Water consumption

Water scarcity is a global issue. We operate mostly in locations where this is not an immediate issue, nevertheless, we recognise the need to conserve water and keep abreast of water supply risks. Water consumption is minimised where possible by treatment and recycling. Examples of this are water recycled from the residue disposal areas at the Castle Hayne chromium facility and a closed loop cooling system installed to the spray driers at the Specialty Products site at Newberry Springs, California.

Water consumption is related to production output, product mix, plant utilisation and cleaning activities. The net result in 2016 shows a steady reduction. See Table 3 below.

Solid and liquid waste

As part of our commitment to the environment, we seek to reduce the quantity of all types of waste. The first concern is to reduce the amount of waste that is classed as hazardous. Beyond that non-hazardous waste is minimised and recycled. Non-hazardous waste is predominantly the inert residue from the chromate kiln operations, which is deposited in permitted impoundments and licenced landfill sites adjacent to the manufacturing facilities.

Hazardous waste increased in 2016 largely due to chromite kiln brick disposal. Non-hazardous waste reduced slightly in 2016. The solid waste arising in 2016 is considered to be within the normal variability of operations and maintenance activities. See Table 4 below.

Innovation and sustainability

Our global R&D efforts continue to maintain focus on activity that supports and contributes to a more sustainable future. We remain committed to:

– Reducing the use of materials that contribute to greenhouse gases.
– Expanding our use of bio-based materials in our products.
– Facilitating the global migration of decorative coatings from solvent-based systems to aqueous ones.

Table 3: Water consumption

	2016		2015		2014	
Water consumption	**Absolute ('000s)**	**Per tonne of production**	Absolute ('000s)	Per tonne of production	Absolute ('000s)	Per tonne of production
Water consumed (m^3)	**1,745**	**6.67**	1,778	6.93	1,811	7.08

Table 4: Waste disposal

	2016		2015		2014	
Waste disposal	**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)	**1.54**	**5.90**	0.94	3.68	0.79	3.09
Non-hazardous waste disposed (tonnes)	**95**	**363**	100	391	104	405

Customers, suppliers, supply chain and quality
During 2016 we continued to participate in trade shows and industry forums, as well as conducting workshops, training seminars and hosting collaborative laboratory sessions to work with customers on a one on one basis. We continue to be responsive to questions from our customers on social responsibility and environmental awareness programmes.

We continue to buy only RSPO certified quaternary amines for all of our Personal Care sector requirements and we continually strive to maximise the use of natural products.

In our Specialty Products portfolio 11 of our global facilities (85 per cent) have achieved ISO 9001 certifications spanning the US, Europe and Asia. Another example of our commitment to quality is the use of Statistical Quality Control tools to support continual quality improvement and increase operating efficiencies, with the added benefit of helping cost management initiatives.

Product stewardship
We strive to provide innovative products that create value for our customers and that are safe for people and the environment when used for their intended purpose. An integral part of this process is our commitment to excellence in product safety and global compliance and these core values drive our global Product Stewardship programme.

To support the highest levels of product safety and regulatory compliance we have comprehensive product safety and product stewardship processes in place to ensure the following:

- The hazards of our products are fully understood and communicated to our customers.
- Any risks are managed to minimise potential impacts to people and the environment.
- Our products are sold in compliance with all applicable local and country laws and regulations.

Within this context, we regularly review the risks of the chemicals we manufacture, recommend risk management where appropriate, monitor changes in regulations, and make health, safety, and compliance information available to customers, government authorities and the public.

Notable product stewardship accomplishments during 2016 were the continued successful implementation of the Globally Harmonised System (GHS) standard around the world, the expansion of the number of our products and manufacturing sites in the Roundtable for Sustainable Palm Oil (RSPO) programme, and the on time completion of the US EPA Chemical Data Reporting (CDR) programme.

EU REACh, as well as the new REACh programmes in China, Korea and Taiwan, continue to be managed to provide the highest levels of product safety and compliance whilst assuring our products are available for use by our global business partners.

We continue to invest in the scientific and regulatory expertise needed to meet the market demands for safer and more sustainable products in an environment of ever increasing number and complexity of chemical regulations.

Approval of Strategic report
The Strategic report comprises the following sections: Chairman's statement, CEO's overview, Business model, Finance report (incorporating Key performance indicators and the Risk management report) and Corporate responsibility report (which incorporates information relating to greenhouse gas emissions required to be included in the Directors' report). The Strategic report was approved by the Board and has been signed on its behalf by:

Ralph Hewins
CFO
1 March 2017

Board of Directors as at 31 December 2016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Key
A – Audit Committee
R – Remuneration Committee
N – Nomination Committee
(c) – Chairman of Committee

Company Secretary


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1. Andrew Duff
Chairman Age: 57

Committee membership: N (c)

Andrew was appointed non-executive Chairman and Chairman of the Nomination Committee in April 2014. He has been non-executive chairman of Severn Trent plc since July 2010 and was a non-executive director of Wolseley plc from 2004 to 2013, where he was also the senior independent director and chairman of the remuneration committee. From 2003 to 2009, he was CEO of npower, the successor entity to Innogy plc which in 2000 was demerged from National Power and then sold to RWE, the German electricity and gas company, where he was also a member of the group executive committee. Before that he spent 16 years at BP in downstream international markets. He is a member of the CBI President's Committee, trustee of Macmillan Cancer Support and Earth Trust and a fellow of the Energy Institute. Andrew holds a BSc (Honours) degree in Mechanical Engineering.

2. Paul Waterman
Chief Executive Officer Age: 52

Paul was appointed CEO in February 2016. Before joining Elementis he was global CEO of the BP lubricants business from July 2013 after having overseen the BP Australia/New Zealand downstream business and been country president of BP Australia since August 2010. Prior to that he was CEO of BP's global aviation, industrial, marine and energy lubricants businesses (2009 to 2010) and CEO of BP lubricants Americas (2007 to 2009). He joined BP after it acquired Burmah-Castrol in 2000 having joined the latter in 1994 after roles at Reckitt Benckiser and Kraft Foods. Paul holds a BSc degree in Packaging Engineering from Michigan State University and an MBA in Finance and International Business from New York University, Stern School of Business.

3. Ralph Hewins
Chief Financial Officer Age: 53

Ralph joined Elementis in September 2016 as an executive Director and CFO-Designate and became CFO in November 2016. He has a strong track record in finance, strategy development and implementation, and mergers and acquisitions. During his 30 year career with BP Lubricants, Ralph enjoyed a number of significant leadership positions, including roles in financial management, sales and marketing, corporate development (M&A), strategy and planning, as well as being CFO of BP Lubricants/Castrol since 2010. He also served on the Board of Castrol India Ltd from 2010 until 2016. Ralph holds an MA degree in Modern History and Economics from the University of Oxford and an MBA from INSEAD.

4. Andrew Christie
Non-executive Director Age: 60

Committee membership: A, N, R (c)

Andrew was appointed a non-executive Director in August 2008 and Chairman of the Remuneration Committee in October 2013. He has over 30 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 has been a non-executive director of Helios Underwriting plc since July 2013 and holds an MBA and a BSc degree in Engineering.

5. Steve Good

Non-executive Director Age: 55

Committee membership: A, N, R

Steve was appointed a non-executive Director in October 2014. He has been a non-executive director of Cape plc since July 2015 (where he is chairman of the remuneration committee), Anglian Water Services Limited since April 2015, and chairman of Zotefoams plc since April 2016, having been a non-executive director since October 2014. He was CEO of Low & Bonar plc, the industrial textile manufacturing business, from 2009 to 2014. Prior to joining Low & Bonar he spent ten years with BTP plc (now part of Clariant) in a variety of leadership positions managing international speciality chemicals businesses. He has a BA degree in Economics and Finance and is a chartered accountant.

6. Anne Hyland

Non-executive Director Age: 56

Committee membership: A (c), N, R

Anne was appointed a non-executive Director in June 2013 and Chairman of the Audit Committee in August 2013. She is CFO of Kymab Ltd, a biopharmaceutical company specialising in advanced therapeutic antibody discovery and development. Previous to that, she was CFO and company secretary of BBI Diagnostics Group Ltd and Vectura Group plc. Prior to her role at Vectura, she held a number of senior finance positions including director of corporate finance at then FTSE 100 Celltech Group plc, Medeva plc and KPMG. She is also a trustee of the charity Sustrans which campaigns for national cycling networks. Anne is a chartered accountant, a corporate tax adviser and holds a degree in Business Studies from Trinity College, Dublin.

7. Nick Salmon

Senior Independent Director Age: 64

Committee membership: A, N, R

Nick was appointed a non-executive Director in October 2014 and Senior Independent Director in December 2014. He is a non-executive director of Interserve plc and independent chairman of South East Water Limited. He was a non-executive director of United Utilities Group plc between April 2005 and July 2014, where he was also the senior independent director between 2007 and 2014. He was chief executive of Cookson Group plc from July 2004 to December 2012 when Cookson demerged to create two new listed companies. He was formerly executive vice-president of Alstom S.A. and chief executive of Babcock International Group plc. He held other senior management positions that included at GEC and GEC Alsthom in the UK and in France as well as at the China Light and Power Company in Hong Kong. Nick holds a BSc degree in Mechanical Engineering and is a fellow of the Royal Academy of Engineering.

David Dutro

Former Chief Executive Officer, stepped down from the Board on 7 February 2016.

Brian Taylorson

Former Chief Financial Officer, stepped down from the Board on 31 October 2016.

8. Wai Wong

Company Secretary

Wai was appointed as Company Secretary in May 2007. He is also a trustee of the Elementis Group Pension Scheme and manages insurance, risk and corporate responsibility matters at Group level. Prior to joining Elementis, he held a number of senior company secretarial positions including at John Menzies plc, ICSA and PricewaterhouseCoopers. He has a BCom (Honours) degree in Business Studies and Law from the University of Edinburgh and an LLM degree in Corporate and Commercial Law from Queen Mary College, University of London. He is a fellow of the Institute of Chartered Secretaries and Administrators.

Board additions in 2017

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9. Sandra Boss

Non-executive Director Age: 49

Sandra was appointed a non-executive Director on 1 February 2017. She is an external member of the Bank of England's Prudential Regulation Authority board (since September 2014). She is also an independent director of Enstar Group Limited, a NASDAQ-listed insurance group, where she is a member of its compensation, nominating and governance committees (since November 2015). She was a senior partner at McKinsey & Company from 2005 to 2014 (and a partner from 2000), where she specialised in investment banking and risk, and held several senior management positions both in the UK and the US since joining in 1994. She has a BA degree in American Studies and Economics from Stanford University and an MBA degree from Harvard Business School. Sandra has also held non-executive and advisory appointments with the Institute of International Finance, the McKinsey Master Retirement Trust and the Edith Wharton Restoration.

10. Dorothee Deuring

Non-executive Director Age: 48

Dorothee was appointed a non-executive Director on 1 March 2017. She is a non-executive director of Bilfinger SE, a German listed industrial services provider (where she is also a member of its audit committee), and Röchling Group SE, a privately owned group processing engineering plastics (both since 2016), as well as managing her own corporate advisory consultancy serving a number of European clients in the pharma/biotech sector. Her previous executive roles included managing director and head of Corporate Advisory Group (Europe) at UBS in Zurich, head of M&A chemicals and healthcare at a private investment bank in Germany and as a senior executive in the corporate finance department at the Roche group. Dorothee has an MSc degree in Chemistry from the Université Louis Pasteur, Strasbourg, and an MBA from INSEAD. She is active in various industry bodies.

Corporate governance report

Chairman's letter

The Board was fully engaged in the process of transitioning to a new executive leadership last year. Paul Waterman was appointed CEO to succeed David Dutro at the start of the year and Ralph Hewins was appointed CFO towards the end of the year, when Brian Taylorson stepped down from the role. Individually and together these are significant changes to make in any organisation. Both David and Brian served for a substantial period and made material contributions to the growth and success of the Company. However, the transition to a new team is only natural and represents a new stage in the development of the Company.

An important aspect to manage well was the dynamics in the boardroom between its executive and non-executive members, and it is pleasing to be able to say that the quality and transparency of interactions between members and the cohesiveness of the Board as a whole continue to be strong at this early stage. The addition of Sandra Boss and Dorothee Deuring to the Board and the retirement of Andrew Christie will undoubtedly mean these dynamics and interactions continuing to evolve over 2017. I am nevertheless satisfied with the progress so far.

These changes complete the Board refreshment process that was initiated in 2013. During this period, the Board has sought to provide stability and continuity to the leadership team and our wider investment community. The recruitment of Sandra and Dorothee increases the Board's number from seven to eight but, more importantly, it broadens its international profile and expertise and improves its overall resilience. I have every confidence that as the Board matures in its new form, its performance and the support and guidance it gives to the leadership team will be enhanced for the betterment of the Company.

Below Board level, Paul has restructured his leadership team into a flatter and more accountable organisation and with a more rigorous focus on performance management. Ralph has also reviewed the structure of the global finance team with a view to providing better support to the business and functional areas. These changes mean the Board will be having more, deeper interactions with the next level of management that will help inform its understanding of the available talent within the Group. In summary, a lot has been done in terms of organisational design to ensure that Elementis has the people resources and capabilities to deliver on the strategic priorities laid out in last year's Capital Markets Day and as described elsewhere in this Annual Report.

Deloitte LLP were appointed the Group's auditors at the 2016 AGM and they have spent 2016 getting to know our people, businesses and processes, and completing an audit transition process.

In April last year, Andrew Christie, Chairman of the Remuneration Committee, and I undertook a series of meetings with a number of our major shareholders, to discuss the Directors' remuneration report ahead of the AGM vote. We were pleased that almost 80 per cent of our shareholders supported the resolution.


The Board visited our Songjiang facility in Shanghai, China in October 2016

The Board held two of its meetings overseas in 2016. In June it visited our management headquarters in East Windsor, New Jersey, US and in October our Songjiang facility in Shanghai, China. The annual trip to East Windsor is important because it is where most of our leadership team is based, so the visit provides important face-to-face time for Board members and the leadership and wider business teams. The trip to Shanghai enabled some of our Board members who had not visited before to see our operations there and meet the local leadership team. I would like to thank all our staff who welcomed us during these visits.

The Nomination Committee had a busy year and a report of its activities is given later. The external effectiveness evaluation in 2015 was followed last year by an internally produced questionnaire survey process. The key areas of focus for the Board were identified as: Board and leadership team transition; management information/performance management; delivery of strategic priorities; and talent management. Further details of this evaluation can be found in the Nomination Committee report.

Statement of compliance
The Board is of the view that it has applied fully throughout 2016 all of the provisions of the UK Corporate Governance Code (Code) (2016 version).

The sections that follow describe how the Board has applied the principles and provisions of the Code.

Andrew Duff
Chairman
1 March 2017

Compliance with the Code

Board composition

As identified on pages 30 and 31, during 2016, the Board comprised two executive Directors (CEO and CFO) and five non-executive Directors (including the Chairman and Senior Independent Director). In 2017, the number of non-executives will increase to six (as explained in the Chairman's statement on page 3). The Chairman is responsible for leadership of the Board, whilst the CEO is responsible for running the Group's businesses. The roles of Chairman and CEO are separate, clearly defined and no individual has unfettered powers of decision making. The Chairman is supported by the Senior Independent Director who is available to shareholders if the normal channels for raising any concern prove to be ineffective or inappropriate.

It is the Chairman's responsibility to set the style and tone in which the Board operates and ensure there is a proper forum for constructive discussion and challenge, as well as a framework and the conditions to enable the Board as a whole, and its individual Directors, to contribute effectively in the performance of their roles. Such a framework and conditions include: access to relevant and quality information, internal and external advice and leadership and business teams; support and development opportunities; understanding the views of market analysts and major shareholders; and maintaining constructive relationships between executive and non-executive members of the Board.

Information about the executive Directors' service contracts and the non-executive Directors' letters of appointment with the Company (including remuneration and fee levels) is set out in the Directors' remuneration report. All non-executive Directors are appointed for three year terms that can be renewed by mutual agreement, subject to annual re-election by shareholders, satisfactory performance and meeting independence requirements.

Board evaluation

The Board carried out an internal evaluation of its performance during the latter part of 2016. More details are set out in the Nomination Committee report.

Having carried out such an evaluation, and following a review of its structure and the decision to increase its size from seven to eight members, the Board considers that its composition contains the appropriate balance of diversity of views, qualifications, skills, experience and personal attributes necessary to carry out its duties and responsibilities and to provide appropriate depth and resilience.

Board diversity

The Board's policy is that appointments should be made on the basis of qualification and merit. The Board agrees that diversity, which should be construed in its broadest sense and incorporate gender diversity, is an important factor in Board effectiveness and supports the Code's principles and provisions on gender diversity. The Board is supportive of the Hampton-Alexander review which sets a target for the percentage of women on boards to reach one third by 2020. The appointments of Sandra Boss and Dorothee Deuring during 2017 will mean that Elementis has achieved this target which the Board is proud of.

The Company is currently reviewing its wider diversity policies which will also include looking at our recruitment, employment and talent management practices at below Board level. As an organisation, it is standard practice to require that any recruitment adviser retained ensures female candidates are included in any long and short list presented for consideration, and this was the case in respect of the CEO and CFO search processes last year, as well as in the non-executive recruitment process.

Director attendance in 2016

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Andrew Duff	8/8	–	7/7*	–
Paul Waterman[1]	8/8			
Ralph Hewins[2]	3/3	–	–	–
Andrew Christie	8/8	4/4	7/7	8/8*
Steve Good	8/8	4/4	7/7	8/8
Anne Hyland	8/8	4/4*	7/7	8/8
Nick Salmon	8/8	4/4	7/7	8/8
Past Directors				
David Dutro[3]	0/0	–	–	–
Brian Taylorson[4]	7/7	–	–	–

* Chairman of Committee
1 appointed to the Board on 8 February 2016
2 appointed to the Board on 12 September 2016
3 retired from the Board on 7 February 2016
4 retired from the Board on 31 October 2016

Board independence

The Board considers all the non-executive Directors to be independent in character and judgement throughout 2016 and is satisfied that each Director exercises independent judgement. The non-executive Directors provide constructive challenge and help support the executive Directors in developing strategy and business priorities. The Directors are required at all times to avoid conflicts of interest, act for a proper purpose and in the best interests of the Company, consistent with their statutory duties. No individual or group dominates decision making.

Board operation

The Board has a formal programme of activities that are undertaken at scheduled meetings throughout the year and this is supplemented by ad hoc meetings, conference calls or other Board events, as and when appropriate. There were eight formal meetings in 2016 and the attendance record of each Director is shown in the table above. The Board is supported in its activities by Board committees that have been delegated specific responsibilities, as set out in their terms of reference, and a formal schedule of matters reserved for the Board allows certain decisions to be retained by the Board and others to be delegated to the executive Directors within certain parameters. The schedule of matters reserved for the Board includes the following:

- Approval of strategic and annual operating plans.
- Approval of financial statements, and major acquisitions and disposals.
- Approval of risk management and compliance programmes, as well as Group insurance arrangements.
- Approval of major projects and capital expenditures.
- Approval of major legal settlements and litigation.

The Board reviews the business, financial and operational and HSE performance of the Group at each of its formal meetings, including major business initiatives, threats and opportunities, as well as progress on product innovation and new customers.

Board and committee dates are scheduled at least a year in advance, as are overseas site visits, and a 12 month forward planner helps to ensure that the Board spends an appropriate amount of its time focused on the strategic issues affecting the Group's businesses.

To assist the Board in carrying out its duties, information of an appropriate quality is issued in a timely manner ahead of Board and committee meetings. If there are any unresolved matters concerning Board decisions, of which there were none in 2016, these would be recorded in the minutes of meetings.

Induction, development and support

All new Directors participate in an induction programme that includes meeting members of the leadership team, the internal and external auditors, the Company's joint corporate brokers, and, if appropriate, major shareholders. Tailored training on the duties and responsibilities of a Director of a listed company is provided (as required) and new Directors are also expected to undertake a programme of site visits.

All Directors 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. Directors are given the opportunity throughout the year to undertake training and attend seminars to keep their skills and knowledge up to date, and receive internal briefings on technical and/or other regulatory developments that they need to be made aware of. The Company Secretary supports the Chairman in ensuring that the Board and Board committees operate within the governance framework adopted and that communication and information flows within the Board and its committees and between management and non-executive Directors are effective.

Communications with shareholders

The CEO and CFO are the Company's principal contact with investors, analysts and the financial press. The Company maintains a comprehensive programme of activities to ensure their needs are met. This includes stock exchange announcements, investor meetings, the Annual Report and updates to the corporate website.

The Board receives regular feedback from shareholders following meetings with management in results and other investor roadshows. Analysts' forecasts and research reports about the Company and the wider chemicals sector, as well as presentations and reports from the Company's joint corporate brokers, are provided to all Directors, helping non-executive Directors to develop a clear understanding of the views of major shareholders. The Chairman and Senior Independent Director are available for contact by shareholders at any time.

From time to time, where appropriate, the Chairman and, in connection with remuneration proposals, the Chairman of the Remuneration Committee will organise a programme of meetings with major shareholders to update them on any significant developments in business strategy, corporate governance matters or consult them on proposals for executive remuneration.

The AGM gives all of the Company's shareholders the opportunity to speak with the Directors and the Chairmen of the Audit, Nomination and Remuneration Committees are available to answer questions.

The Notice of AGM is dispatched at least 20 working days before the meeting. The Company proposes separate resolutions for substantially separate issues. In line with best practice voting is conducted by poll. Shareholders have the option to vote either for or against a resolution, or to withhold their vote. The results of the meeting are announced to London Stock Exchange and published on the corporate website.

Directors' and officers' liability insurance

The Company maintains liability insurance for the Directors and officers of the Company and its subsidiaries. Since 2008, the Directors of the Company have been in receipt of an indemnity from the Company 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.

By order of the Board

Wai Wong
Company Secretary
1 March 2017

Nomination Committee report

The Chairman and members of the Nomination Committee (the 'Committee') are shown on pages 30 to 31, together with their biographical information. Seven meetings were held during 2016 and the attendance records of Committee members are shown on page 33. The CEO is invited to attend all of its meetings, except when the discussion concerns him or when it is a meeting of non-executives only, and other executives are invited to attend where appropriate.

The Committee's terms of reference are available on the Company's website and the following is a summary of its responsibilities:

– Reviewing the size and composition of the Board, together with the skills, knowledge, experience and diversity of its members and making recommendations for change as necessary.
– Carrying out an annual performance evaluation of the Board, its committees and individual members.
– Succession planning for the Board and leadership team.

The following is a description of the work of the Committee to show how it has discharged its responsibilities in 2016:

– **April**: Meeting to discuss general CFO succession plans, non-executive Director succession plans and Board skill-set and diversity.
– **May**: Meeting to ratify CFO recruitment process (appointment of adviser, role specification, etc) and discuss list of candidates with a view to selecting a preferred candidate.
– **June**: Meeting to discuss progress on the CFO recruitment process, Board evaluation process for 2016 and non-executive Director succession plans (including diversity in its broadest sense and agreeing the choice of recruitment adviser and a role specification).
– **July**: Meeting to discuss Board performance evaluation approach (and approve a draft questionnaire to be used), non-executive Director recruitment process and progress, and executive leadership team structure and plans.
– **October**: Meeting to discuss Board diversity and the Hampton-Alexander review (including agreeing an aspirational target and considering the Board's diversity policy and wider Company policy and plans in this area), update on the non-executive Director recruitment process (including consideration of candidates and Board skill-set).
– **November**: Meeting of non-executive Directors only.
– **December**: Meeting to select Sandra Boss as the preferred candidate and approve her recommendation to the Board for appointment as a non-executive Director.
– **December**: Separate meeting to approve the appointment of Sandra Boss, consider increasing the size of the Board to broaden its skill-set and increase resilience, discuss the results of the Board evaluation, review the Chairman's performance and review the Committee's terms of reference.

CFO recruitment process
The Committee led the selection process for the appointment of a new CFO. A role specification was drawn up detailing the skills, experience and capabilities required. The Committee considered this and other procedural matters such as confidentiality and timetable. Russell Reynold Associates, who have no connection with the Company, were engaged as the adviser for the process. A long list of candidates was identified and a short list of three candidates (including a female candidate) were interviewed by all of the Directors in different stages. Following these interviews, the Committee recommended to the Board the appointment of Ralph Hewins as the Company's CFO.

Non-executive Director recruitment process
Noting that Andrew Christie would have served for nine years by August 2017, the Board took the opportunity to review its size and composition and decided that a new non-executive Director would be appointed early in 2017, to increase its international profile and expertise, as well as strengthen the skill-set and resilience of the Board. The candidate would replace Andrew Christie but there would be an overlapping period. A role specification was agreed reflecting the skills and diverse background that the Board wanted and Korn Ferry Hay group, who had previously acted for the Company before as Korn Ferry Whitehead Mann and who have no connection with the Company other than as a recruitment adviser, were engaged as the adviser for the search process.

A long list was reviewed by the Committee from which a short list of six candidates (including at least half who were female) was selected for interview. The group of finalists met with all Directors before the Committee decided to recommend Sandra Boss for appointment by the Board. In reaching its recommendation, the Committee concluded that the calibre of the finalist candidates was such that the Board would benefit by broadening its international profile and expertise, as well as by improving its resilience. It was therefore decided that the Board should increase its number from seven to eight by appointing Dorothee Deuring as an additional non-executive Director.

2016 Board evaluation
Following the external Board evaluation in 2015, the Committee decided to conduct last year's Board evaluation without external assistance. A qualitative questionnaire survey was produced in-house covering all aspects of the Board's structure, composition and operation, Board interactions (internal and external), and business strategy, risks and priorities. In addition, there were specific sections on the Audit, Nomination and Remuneration Committees (including how well they were chaired and organised, the quality of Committee papers as well as their effectiveness). Furthermore, I met with each of the Directors to discuss their performance and any developmental needs. The outcome of the review highlighted that the Board and its committees are effective and well run, the executive and non-executive Director interactions are positive and the impressions of the CEO and CFO are that both are hungry to reignite growth in the Company. The areas to focus attention on included: Board and leadership team transition, management information/performance management, delivery of strategic priorities and talent management.

Following the evaluation review, the Board is satisfied that all our Directors contribute effectively and demonstrate appropriate commitment to their role and, therefore, shareholders are asked to support their election/re-election at the AGM. Shareholders may find the biographical information provided on pages 30 and 31 useful to help them understand how a Director's background or experience influences the contribution he or she makes to the operation and effectiveness of the Board. This will also assist shareholders in assessing the skills and experience of the Board, as a whole, when determining how to vote on certain resolutions at the AGM. The information should also be read in conjunction with the Notice of Meeting accompanying this Annual Report proposing the election/re-election of all Directors at the 2017 AGM, with the exception of Andrew Christie.

Andrew Duff
Chairman, Nomination Committee
1 March 2017

Audit Committee report

The members of the Audit Committee (the 'Committee') are shown on pages 30 to 31, together with their biographical information. As well as being Chairman, I am the Committee member with recent and relevant financial experience required under governance rules. Steve Good and Nick Salmon have relevant industry and sector experience and complement Andrew Christie's investment banking and my corporate finance experience. There were four meetings held last year and the attendance records of Committee members are shown on page 33. The Chairman of the Board, both executive Directors and representatives of both the external auditor (Deloitte LLP) and internal audit provider (PricewaterhouseCoopers LLP) have a standing invitation to attend all Committee meetings, except when an agenda item concerns either the external or internal auditor or is only for Committee members to meet with the external or internal auditor without management or anyone else being present.

During the year, the Committee's terms of reference, a copy of which is available on the Company's website, were reviewed and updated. The following is a summary of the Committee's responsibilities:

- Monitor the integrity of Group financial statements, financial reporting and related statements, as well as the clarity and completeness of disclosures (including narrative reports and governance statements accompanying financial and related statements).
- Ensure the appropriateness of accounting policies, any changes to them, and any significant estimates and judgements made.
- Review the effectiveness of internal control, compliance and risk management systems (including whistleblowing arrangements).
- Oversee all aspects of the relationship with the internal and external auditors, such as: negotiating and approving their terms of appointment, fees, the scope, manner and programme of work; monitoring resourcing, performance and effectiveness, independence and objectivity taking into account relevant UK professional and regulatory guidelines; approving the policy on non-audit services; making recommendations to the Board for their dismissal or changes; and supervising any tender process.

The following is a description of the work of the Committee to show how it has discharged its responsibilities in 2016:

February
- Met with KPMG without management present.
- Reviewed in combination with KPMG's audit report the 2015 Annual Report (and associated preliminary results statement), management representation letter to the auditors, internal control and going concern statements, tax, litigation and compliance reports (including whistleblowing arrangements) and the effectiveness, independence and objectivity of the auditors.
- Recommended to the Board the approval of the 2015 Annual Report.
- Recommended to the Board the appointment of Deloitte as external auditor of the Company.
- Considered non-audit services and fees undertaken by KPMG during 2015.

June
- Reviewed PwC's H1 internal audit programme report and management's responses to the audit findings.
- Considered Deloitte's transition and audit plan for 2016. Approved Deloitte's letter of engagement and proposed fee for H1 and year-end audit.

July
- Considered in combination with Deloitte's H1 review report the 2016 interim results announcement (incorporating a management report and condensed financial statements and notes), management representation letter to the auditors and the half year litigation, compliance and tax reports, as well as the half year going concern statement.
- Reviewed and confirmed the Company's compliance programme.
- Approved the updated non-audit services policy taking into account revised regulatory requirements and guidance.
- Considered briefings on the FRC's Corporate Reporting Review and UK Corporate Governance Code 2016 and Guidance on Audit Committees.

December
- Met with PwC without management present to consider the Group's internal audit programme.
- Reviewed the effectiveness of the internal audit programme and PwC's performance, supported by the results of a survey questionnaire completed by finance staff.
- Received PwC's H2 internal audit programme report.
- Reviewed the adequacy of resources made available to PwC and the arrangements they have in place to ensure they can deliver an effective internal audit service.
- Approved the re-appointment of PwC as internal auditors, agreed fees and programme of work for 2017.
- Approved Committee Terms of Reference that had been updated to include the Financial Reporting Council's 'Enhancing Confidence in Audit' and amendments to the UK Corporate Governance Code.
- Received an update on the audit plan and progress from Deloitte.

Significant accounting and other issues

The primary areas of accounting judgement considered by the Committee in relation to the 2016 financial statements are listed below.

Restructuring

The new Chief Executive Officer reorganised the management structure and various parts of the business. The costs of this exercise, including redundancy costs, as well as recruitment and other costs associated with changes in the management structure, was $3.0 million. The Committee considered these costs and their presentation as adjusting items as shown in note 5.

Environmental provisions

The Committee considered the Group's decision to reduce the discount rate it uses to value liabilities which resulted in a charge of $4.5 million. In addition, continuing remediation work on the legacy Chromium site at Eaglescliffe was reviewed and, based on the estimated outstanding tasks and their timeframe, resulted in a charge of $3.5 million.

ACT and deferred tax assets

The Board continues to monitor the justification for, and carrying values of, ACT recoverable and deferred tax assets as part of the Group tax strategy.

Retirement benefit obligations

The Committee considered the assumptions used for the IAS 19 calculation of the surplus/deficit across the Group's different schemes. In addition the Committee considered the availability of the pension surplus recognised on the UK pension scheme taking into consideration any future contributions.

Revenue recognition

The Group's revenue recognition accounting policy was considered during the year, including the assessment over the international shipments which resulted in a restatement to the Group's revenue recognition as disclosed in note 31. The Committee satisfied itself that the Group had appropriately recognised revenues in accordance with their contractual obligations during the period, paying particular attention to period end cut-off.

Auditor rotation and tendering and Competition and Markets Authority order – statement of compliance

As reported this time last year, the Committee carried out an audit tender process in 2015 that resulted in the appointment of Deloitte LLP as auditor in April 2016.

The Committee therefore confirms that the Company is compliant with the order on mandatory tendering of audit contracts.

Audit effectiveness, objectivity and independence

As Chairman of the Committee I meet with the audit partner frequently, including for both audit planning and review meetings. The Committee meets the audit partner and usually the senior manager at all four of its formal meetings but it is the CFO and finance teams who have most exposure to the audit team.

To help the Committee carry out a formal review of the external auditor's performance, a questionnaire based evaluation is usually undertaken towards the end of each year end audit cycle by members of our finance team globally. The questionnaire used is the template produced by KPMG's Audit Committee Institute which considers comprehensively different aspects of the audit process. The Committee also monitors audit effectiveness by reviewing Audit Quality Inspection reports published by the FRC.

Since 2016 was Deloitte's first audit, we decided not to undertake a questionnaire survey of the field locations but to review Deloitte's performance by reference to the quality of its audit report and opinion, its engagement with management and its quality assurance procedures. The Committee concluded Deloitte's performance to be satisfactory and that the audit is effective as measured against their letter of engagement and the scope of services agreed.

The Committee considers the auditor's objectivity and independence at least twice a year. It receives reports from Deloitte on its internal quality control and independence rules, and keeps under review the level of non-audit services Deloitte provides. The Committee is of the view that Deloitte were objective and independent throughout the 2016 audit process notwithstanding the level of non-audit services provided.

Non-audit services

In 2016, non-audit services of $0.3 million from Deloitte were approved by the Committee (2015: $0.8 million to KPMG). These services consisted mainly of tax advisory services for our Taiwan entity and due diligence support in relation to the acquisition of SummitReheis. Deloitte's knowledge of the business meant it could provide these services cost effectively and the safeguards described earlier mean the Committee does not consider the provision of these services to affect the auditor's independence and objectivity.

The Company's policy on non-audit services contains guidance on the types of non-audit work that the external auditors may be considered for. This guidance is in addition to other specified factors that must be taken into consideration, such as the expertise and resources of the firm, whether the services could risk jeopardising audit independence and the fee relative to the audit fee. Examples of services that the external auditors may and may not be allowed to perform under the policy can be found on the Company's corporate website. The policy was reviewed during the year to ensure compliance with new EU rules on the provision of non-audit services by auditors.

Under the policy, the CFO may approve individual engagements where the fee is up to 15 per cent of the Group's audit fee for the year, provided that the total non-audit fees in the year do not exceed 50 per cent of that Group audit fee. Decisions above these thresholds must be referred to the Committee for determination.

Internal control and risk management system

The Committee's formal remit includes reviewing the effectiveness of the internal control, compliance and risk management systems which it carries out in support of the Board's formal review of significant risks and material controls, as summarised in the Risk management report. The focus of the Committee's work when it reviews internal audit reports is mainly on financial, operational and compliance risks. PwC, who provides an outsourced internal audit function, plays a significant role in the Group's internal control process, which is designed for the purposes of preventing material financial loss and fraud, safeguarding the value of assets (including reputation) and ensuring compliance with laws, regulations and Group policies.

The Group's internal control and risk management system is only designed to manage, rather than eliminate, the risk of failure to achieve business objectives and therefore the Board can 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. No significant internal control failings or weaknesses were reported last year so none is disclosed here.

Set out below is a summary of the key features of the Group's internal control and risk management system.

Control environment

The Group has policies and procedures that set out the responsibilities of business and site management, including authority levels, reporting disciplines and responsibility for risk management and internal control. In addition, annual compliance statements on internal control are certified by each operating segment.

Audit Committee report continued

Risk identification and review

A formal risk review process exists at Board and leadership team levels for the identification, evaluation, mitigation and ongoing monitoring of risks. See separate Risk management report.

Financial reporting

The Group operates a comprehensive financial reporting system including forecasts, consolidation and monthly reporting. Board reports include full management accounts, comprising monthly and year to date profit and loss statements, cash flow statements and balance sheet, with segmental and individual business performance analyses, as well as relevant performance indicators. 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.

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.

Internal audit programme

An internal audit programme is proposed by PwC in consultation with the CFO and approved by the Audit Committee each year, setting out a programme of audits over the course of the next 12 months. The programme covers the monitoring of the effectiveness of internal controls and the design of processes to test the effectiveness of controls. As well as conducting audits of operating facilities, sales offices and toller sites on a two to three year rotational basis, the internal audit programme includes reviews of Group functions and processes. Examples of some of the internal audits conducted during 2016 include: EU Shared Services Centre, IT resilience, cyber security, Specialty Products' sites in the US and China and Chromium's Castle Hayne and Corpus Christi sites.

Controls assurance

The controls assurance framework at Elementis is threefold:

- Board leadership supported by an open and transparent culture of 'no surprises', good governance and compliance. This means knowing and understanding the businesses, quality interactions between the Board and the leadership teams (including a regular programme of presentations and reports to the Board, as well as operational site visits).
- Internal and external audit programme, regular litigation and compliance reviews with the General Counsel and a programme of compliance audits, regulatory inspections, environmental reviews and property surveys by external specialists.
- Code of Business Conduct and Ethics on which all employees are given training and are required to self certify compliance with, supplemented by an online compliance training programme, an anti-bribery and corruption policy, which contractors are also required to sign up to, whistleblowing arrangements and an anti-retaliation policy.

Fair, balanced and understandable

The Board and Committee understand the governance requirements for the Annual Report, taken as a whole, to be fair, balanced and understandable, and that 'fair' should mean reasonable and impartial, 'balanced' should mean even handed in terms of being positive and negative and 'understandable' should mean simple, clear and free from jargon or unnecessary clutter.

The Board and Committee consider the Annual Report for 2016, taken as a whole, to be fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In coming to this view, the Board and Committee took the following into consideration: (i) meetings between the Committee Chair and the audit partner, as well as between the auditor and the Committee without management being present; (ii) discussions at the audit clearance meeting; (iii) discussions with management on the progress of the audit at different stages of the audit process; and (iv) feedback obtained from members of the leadership and finance teams, as well as from the Company's brokers and other advisers.

Anne Hyland
Chairman, Audit Committee
1 March 2017

Directors' remuneration report

Chairman's annual statement on remuneration

The remuneration policy approved by shareholders in 2014 was amended with shareholder support in 2015, following a Board refreshment process, and, consequently, the Remuneration Committee (the 'Committee') is not presenting a new remuneration policy for shareholder approval at this year's AGM in April.

We welcomed Paul Waterman as CEO this time last year and Ralph Hewins as CFO towards the end of 2016. Shareholders will have read, elsewhere in this Annual Report, about the strategy review that Paul undertook in his first few months at Elementis which culminated in a Capital Markets Day in November 2016. Under the leadership of Paul and Ralph, the business will be implementing the actions required to deliver growth plans set by the Board, to create value for our shareholders over the medium term. The remuneration packages for both Paul and Ralph are in line with the policy approved in 2015 and provide a significant weighting on performance-related pay.

The Committee will take into consideration the strategic priorities outlined by Paul and Ralph at the Capital Markets Day when reviewing the remuneration policy report this year and it is quite possible that changes will be made to our remuneration policy for Board members and the leadership team. We will consult with our major shareholders in good time and before presenting the changes for a shareholder vote next year.

Variable remuneration outcome for 2016

Bonus plan

As reported elsewhere in this Annual Report, trading conditions in 2016 presented challenges to the Group hence the Company is reporting performance that is below the minimum target thresholds and no bonus subject to financial performance measures (PBT and average working capital ('AWC')) is payable in respect of 2016, which make up 70 per cent of the overall bonus opportunity. In respect of bonus subject to non-financial objectives ('NFO'), which has a 30 per cent weighting, I can report that these have been met mostly and the percentage vesting is as follows:

Director	Max bonus opportunity as % of salary	% of NFO met	Bonus vesting as % of max opportunity
P Waterman	134.43*	27.5/30	36.97
R Hewins	37.91**	30/30	11.37
B Taylorson	114.41***	30/30	34.32

* pro-rated from 8 February 2016 (from 150%)
** pro-rated from 12 September 2016 (from 125%)
*** pro-rated to 30 November 2016 (from 125%)

The Committee and the Board are fully satisfied that the bonus payments in 2016, which are for delivering objectives for the executive Directors set by the Board, are justified. The personal objectives set were related to growing the business, improving the overall effectiveness of the organisation, managing change and the risk from the transition to the new executive leadership and maintaining investor confidence. More details are given later.

LTIP

The performance period for the 2014 LTIP awards ended in 2016. Neither of the threshold targets under the EPS and TSR conditions was met and, accordingly, none of the 2014 awards will vest in April 2017.

Elementis delivered total shareholder return over the three year period of 9 per cent, compared to 18 per cent from the FTSE All Share Index (excluding investment trusts). EPS for 2016 was 16.8 cents compared to 23.0 cents in 2013.

2017 policy implementation

The following summarises the application of our remuneration policy in the current year.

Salaries

The Committee awarded Paul Waterman and Ralph Hewins a salary increase of 2.8 per cent and 2.9 per cent, respectively, with effect from 1 January 2017, which is in line with the average increase for the US and UK salaried workforce.

Bonus plan

The remuneration policy approved by shareholders in 2015 gives the Committee flexibility in setting bonus plan targets (financial and non-financial), their weighting and the basis of measurement.

In respect of the 2017 bonus plan, the Committee has decided to retain the non-financial component with the same weighting of 30 per cent of the bonus opportunity. This will be based on the delivery of specific and measurable objectives that are related to the Company's strategic priorities set by the Board. In terms of the financial metrics (70 per cent of bonus opportunity), these will continue to be based on PBT and AWC, with a respective weighting relative to total bonus opportunity of 50 per cent and 20 per cent. For the PBT condition, threshold, plan and stretch targets are set at levels the Committee considers to be appropriately stretching, after taking into account both the 2017 operating plan and external market data. The AWC condition will also utilise a target range based on the 2017 operating plan. Details of bonus targets and objectives will be disclosed on a retrospective basis in next year's report.

The Committee has discretion to modify the overall amount of bonus payable in exceptional circumstances and acting in the best interests of the Company. The actual criteria and weighting will be reviewed annually to ensure they remain appropriate.

LTIP

Turning to the LTIP for 2017, the Committee does not plan to make any changes to the structure or operation of the plan, so the performance conditions will continue to be based on EPS and TSR performance (split 50:50). As in previous years, EPS is defined as being the fully diluted EPS after adjusting items and TSR is measured against constituents of the FTSE All Share index (excluding investment trusts). EPS target setting for the 2017 awards is based on the same structure as last year and the range is unchanged (average annual EPS growth of 3 per cent to 10 per cent) which the Committee considers to be appropriately challenging through the cycle.

Directors' remuneration report continued

Non-executive Director fees
The fee levels for all non-executive Directors (Chairman's fee, basic fee and additional role fee) were reviewed in December 2016 and the outcome, which received the full support of the Board, was to make the following adjustments:

- Chairman: 2.9 per cent increase.
- Basic fee: 2.9 per cent increase.
- Additional role fee: 2.9 per cent increase.

The additional role fee applies only to the SID and the Chairman of the Audit or Remuneration Committee.

CFO transition
Ongoing remuneration
As previously published on the Company's website, Ralph Hewins's starting remuneration package is as follows:

- Basic salary: £325,000 p.a.
- Benefits: as per policy.
- Bonus opportunity: 125 per cent of basic salary (with 50 per cent share based deferral).
- LTIP award: 175 per cent of basic salary.
- Pension: salary supplement of 25 per cent of basic salary.

One of the Committee's stated objectives is to rebalance the proportion of fixed to variable remuneration, to provide a greater incentive to the executive Directors to deliver strong, sustainable financial performance and enhanced returns to shareholders. This was reflected in both Paul Waterman's and Ralph Hewins's salary levels, which were positioned below their predecessors, and took other factors into consideration including incentive pay opportunities.

Buyout awards
In addition, certain buyout awards were agreed to replace remuneration forfeited by Ralph when he left BP to join Elementis. These have also been published on our website previously and details are set out in the Annual report on remuneration.

Director departures
David Dutro retired as CEO last year and the Committee, having taken advice from New Bridge Street ('NBS'), mitigated the cost to the Company by not making any payment in lieu of notice. Instead it exercised discretion under the rules of the Long Term Incentive Plan ('LTIP') to waive pro-rating for time in respect of the 2014 award, which was not expected to vest. As anticipated, the performance conditions for the 2014 LTIP awards were not met and these awards will lapse in full. David Dutro's retirement from office resulted in no cost to the Company beyond paying contractual remuneration (fixed elements only) up until the date his employment ceased.

In respect of Brian Taylorson stepping down as CFO, the Company served 12 months' notice in accordance with Brian's service contract, which will run to 16 May 2017. His 2014 LTIP award lapses as the performance conditions were not achieved and his 2015 and 2016 awards will lapse on his leaving date. Since ceasing to hold office as CFO and a Director at the end of October 2016, Brian, who is available to the Board as required and remains under notice, has continued to receive his basic salary, contractual benefits and pension supplement. Brian provided support to Ralph on a full time basis until the end of November 2016 to ensure a smooth transition. Consequently, the Committee decided to scale back his 2016 bonus entitlement by one month. Brian will not be participating in the 2017 bonus scheme or LTIP. Brian's departure from office will result in no cost to the Company beyond paying contractual remuneration up until the date his contract ceases. Further details are included in the Annual report on remuneration.

Summary
The Committee has considered at length the structure and operation of the incentive plans, as well as the target setting, and believe these to be challenging and appropriate, and in the past year reflected the transition to a new senior management team. The Committee is committed to maintaining appropriate and testing targets for the calculation of performance-related pay.

On behalf of the Directors, I ask our shareholders to support the actions the Committee has taken.

This Directors' remuneration report for 2016 was prepared by the Committee and has been approved by the Board.

Signed on behalf of the Board by:

Andrew Christie
Chairman, Remuneration Committee
1 March 2017

Remuneration policy report

Effective date and duration of remuneration policy

This part of the Directors' remuneration report (the 'Remuneration policy report'), which is mostly restated for reference purposes only (and updated where appropriate), sets out the remuneration policy for the Directors of the Company that was approved by shareholders at the 2015 AGM. The remuneration policy is effective for three years from 22 April 2015.

Where the text in this Remuneration policy report is in bold and underlined, this shows a change in implementation different from last year (but within the approved policy), or an update or re-wording of the text from last year.

Policy table

The information in the table below sets out the remuneration policy for the different elements that make up total remuneration applying to Directors.

Basic salary	
Purpose and link to Company's strategy	Targeted at a level to attract and retain the world class executives who are essential to drive the business forward and deliver the Company's strategic goals.
How it operates in practice	Formal salary review normally every three years, with benchmarking analysis utilised for reference purposes against relevant market comparators, as appropriate, taking into account the size of the Company (revenue and market capitalisation), complexity of the roles (including changes to both size and roles) and individual performance. Annual salary increases that are broadly in line with the local workforce (in percentage of salary terms), subject to Committee approval. Increases beyond the average of those granted to the local workforce (in percentage of salary terms) may be awarded in certain circumstances, such as where there is a material change in responsibility or experience of the individual, to recognise exceptional performance over a sustained period or a significant increase in the complexity, size or value of the Company. Where new joiners or recent promotions have been placed on a below market rate of pay initially, a series of increases above those granted to the local workforce (in percentage of salary terms) may be given over the following few years subject to individual performance and development in the role. Salaries are normally reviewed in December and any changes are effective from 1 January in the following year.
Maximum potential value	There is no prescribed maximum for salary increases. The Committee will be guided by the general increase for the local workforce and/or broader workforce as a whole, as well as the circumstances listed above. **<u>Salaries for 2017:</u>** **<u>CEO $848,100</u>** **<u>CFO £334,425</u>**
Benefits	
Purpose and link to Company's strategy	To aid retention and to remain competitive in the marketplace. Healthcare benefits in order to minimise business disruption. Executive Directors may also participate along with other employees in the Group's HMRC approved SAYE or other equivalent savings based share schemes to share in the success of the Group.
How it operates in practice	Life assurance and private medical health insurance are provided. Provision of either a company car (for business and personal purposes) or a car allowance, in both cases having a value that is consistent and commensurate with the executive's status and seniority. Participation in all employee/savings based share option schemes as above. In addition, benefits in the US, where it is standard, include cover for dental costs, accidental death and disablement, long term disability and club membership.
Maximum potential value	SAYE/savings based schemes are subject to individual limits. These are $2,000 per month in the US and in the UK up to the HMRC prescribed limit (£500 per month). Other benefits: the Committee will determine the level of benefit as it considers appropriate, taking into consideration local market practice.

Remuneration policy report continued

Annual bonus scheme	
Purpose and link to Company's strategy	To incentivise the senior management team to exceed the annual operating plans approved by the Board at the start of each financial year. To ensure that a significant proportion of an executive's total remuneration is based on corporate/business financial performance that is linked to the Company's annual operating plan. To enable incentive pay to help build and maintain meaningful executive shareholdings thereby providing greater long term focus.
How it operates in practice	An annual bonus is earned based on over performance against selected performance measures which are linked to the Company's key performance indicators, or the achievement of strategic and/or operational objectives. Bonus payments are paid following the approval of full year results. Payments are based on salaries at the time of payment. Bonus deferral element: 50 per cent of any cash bonus payable must be awarded in shares and deferred for two years. Dividends to accrue to deferred share award holders (or holders of conditional share awards). Deferred shares or conditional awards are forfeitable for gross misconduct (dismissal for cause). The Committee may seek recovery and/or withholding of bonuses paid that are later found to have been based on performance that was mis-stated or incorrectly calculated, or where the amount of any bonus may have been reduced or withheld due to reasons of gross misconduct. Recovery and withholding provisions will apply from awards made in 2015 and apply for a period of three years following payment of any bonus. Detailed provisions are incorporated into the rules of the various schemes which govern the terms of a bonus payment and or the making of any deferred share or conditional award.
Maximum potential value	**CEO:** 150 per cent of basic salary. **CFO:** 125 per cent of basic salary. A higher annual bonus limit of 200 per cent of basic salary may apply for new recruits.
Framework used to assess performance	The performance measure(s) will be based mainly on financial performance although the Committee reserves the right to select other qualitative or non-financial targets (including the basis of their measurement) as it considers to be appropriate and which are aligned to the Company's strategic objectives for the year ahead. The financial element of the bonus may include (but are not limited to) the Company's key performance indicators which include: – Profit before tax or other measures of profitability. – Group average trade working capital to sales ratio expressed as a percentage ('AWC') or other cash flow indicators. Targets for financial metrics are set relative to the annual operating plan, taking into account general GDP factors, external market data, current and past performance of the business, together with any organic or acquisitive growth plans. For any profit related metric, targets will be set at threshold, plan and stretch levels and the amount payable for threshold performance shall be determined by the Committee each year when reviewing annual bonus plans and approving bonus scheme targets. The Committee keeps performance metrics under review on an annual basis to ensure they continue to remain appropriate and has the discretion to introduce new metrics or remove existing ones and amend their relative weightings. As a result, the performance metrics and weightings may vary in line with the Company's evolving strategy during the life of the policy. The profit related element of annual bonus shall not be less than 50 per cent of the overall bonus opportunity.

Long term incentives	
Purpose and link to Company's strategy	The LTIP is the sole long term incentive mechanism and is intended to align the interests of the executives with the Group's long term performance, business strategy and broader interests of shareholders. When granting awards under the LTIP the Committee generally takes into consideration the need to motivate and retain the executive Directors and other participants. The number of options/conditional shares awarded, up to the maximum limit, is based on the average mid-market closing price of a share on the date preceding the date of award.
How it operates in practice	Nil cost options or conditional shares are awarded annually. Options are exercisable three years from, and within ten years of, the date of award. Share awards vest on the third anniversary of the date of award. A post-vesting holding period of two years will apply to annual awards granted from 2015. For US participants (e.g. the CEO) the award of conditional shares may be structured in the form of restricted stock units in order to comply with US tax rules on deferred compensation particularly in view of the holding period being introduced. Recovery and withholding provisions similar to those described in respect of annual bonus payments but relating to the vesting of LTIP awards will apply from 2015 awards. Dividend rights: dividends will accrue during the three year performance period in respect of LTIP awards to the extent that they vest. In the case of awards structured as nil cost options, dividends payable would only be paid when the options are exercised and when the employee becomes the beneficial owner of the shares. Tax rules mean US participants will generally exercise and sell at least part of any options/shares that vest on the date of vesting, in order to meet tax liabilities. This will continue to be our practice for options/shares not subject to the holding period. Awards are subject to the achievement of challenging performance conditions and normally subject to continued service over the vesting period.
Maximum potential value	**CEO:** 200 per cent of basic salary at the time of the award. **CFO:** 175 per cent of basic salary at the time of the award. A higher limit of 250 per cent of basic salary may apply to annual awards made to new recruits.
Framework used to assess performance	Awards are subject to achievement of financial (EPS, ROCE or any other relevant Company financial KPI) and/or relative TSR performance conditions measured over three financial years beginning with the financial year in which the award is made. TSR will be measured against the constituents of a broad equity index, or a bespoke group of appropriate comparator companies. In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long term business plan and external market data. For any financial performance condition, threshold vesting will start from 0 per cent and for any relative TSR performance condition, threshold vesting will start at 3.85 per cent. In both cases this will increase on a straight line basis with 100 per cent vesting for achieving the stretch targets, which for the TSR performance condition will require at least upper quartile performance.

Remuneration policy report continued

Pension	
Purpose and link to Company's strategy	To aid retention and remain competitive in the marketplace. To provide appropriate retirement benefits commensurate with local market practice, seniority of the role and tenure with the Company.
How it operates in practice	Policy for new recruits is a contribution to a non-Company pension scheme and/or cash in lieu. The policy for the **CEO** and the **CFO** is set out below. **CEO** An annual salary supplement of 20 per cent of basic salary and, for US employees, participation in two defined contribution schemes being: (i) a US 401(k) Plan, which is similar to a money purchase scheme, and (ii) a Non-Qualified Deferred Compensation Plan (the 'Defined Contribution plans'). The latter plan mirrors the 401(k) Plan except it allows for contributions in respect of pensionable remuneration over an annual compensation limit set by the US Internal Revenue Service **(2016: $265,000)**. The employer match under these two plans includes a regular match of up to 4 per cent of total pensionable remuneration and a supplemental match of up to 4 per cent, based on age and length of service. **CFO** **An annual salary supplement of 25 per cent of basic salary.**
Maximum potential value	The policy for new executives is for a Company contribution of up to 30 per cent of salary. Under the policy the maximum for the CEO is 20 per cent of his salary and up to 8 per cent of pensionable remuneration depending on the amount of personal contributions made into the Defined Contribution plans. **The maximum for the CFO is an annual salary supplement of 25 per cent of his basic salary.** Legacy arrangements exist for existing employees.
Share ownership guidelines	
Purpose and link to Company's strategy	To align an executive's interests with those of shareholders and to encourage executives to participate and share in the long term success of the Group.
How it operates in practice	Executive Directors are expected to build up a shareholding in the Company that is equal in value to 200 per cent of their basic annual salaries. Shares vesting from share awards, or transferred pursuant to an exercise of any option, granted under any share incentive or employee share saving scheme may not be sold (other than to meet a tax liability) until the above shareholding level has been met. The Committee monitors compliance with these guidelines and can make changes to them from time to time.
Non-executive Chairman and Directors' fees	
Purpose and link to Company's strategy	To attract individuals with the relevant skills, knowledge and experience that the Board considers necessary in order to maintain an optimal mix that ensures the effectiveness of the Board as a whole in carrying out its duties and responsibilities.
How it operates in practice	Non-executive Directors' fees are determined by the Chairman and the executive Directors, having regard to fees paid to non-executive Directors in other UK quoted companies and the time commitment and responsibilities of the role. In the case of the Chairman, the fee level is determined by the Committee. As well as taking into consideration the above factors, the Committee sets the fee at an appropriate level necessary to attract a role holder qualified to effectively lead the board of a company of a similar size and prestige as Elementis. Fees will be reviewed annually with changes taking effect from 1 January in the following year. Fees are payable in cash and non-executive Directors are not eligible to participate in any pension, bonus or share incentive schemes. No individual is allowed to vote on his/her own remuneration.

Link between policy, strategy and structure

The remuneration policy is principally designed to attract, motivate and retain the executive Directors and other members of the **leadership** team to execute effectively our corporate and business strategies in order to deliver our annual operating plans and sustainable year on year profitable growth, as well as to generate and preserve value for our shareholders over the longer term, without encouraging excessive levels of risk taking. The principles and values that underpin our remuneration strategy are applied on a consistent basis for all our Group employees.

It is our policy to reward all employees fairly, responsibly and by reference to local market practices, by providing an appropriate balance between fixed and variable remuneration.

The Committee's policy is to adequately reward the Directors if they meet or exceed the targets set under the variable components of their remuneration packages.

The remuneration structure for executive Directors is made up of two elements: fixed remuneration (consisting of basic salary, benefits including for example non-contributory health insurance and life assurance and pension provision), and variable remuneration (annual bonus scheme and long term share incentives).

Choice of performance measures and approach to target setting

The performance metrics that are used for annual bonus and long term incentive plans are drawn from a suite of Company KPIs monitored by the Board that are closely linked to the financial KPIs on page 16.

In the annual bonus scheme, the financial measures currently used include PBT and AWC. PBT (defined as reported Group profit before tax, **after adjusting items**) is a clear measure of the Company's trading performance and AWC encourages the most efficient use of working capital and ensures earnings are converted into cash. These metrics are aligned with the Company's objectives and strategy. **Since 2016 non-financial criteria have formed a component of the performance measures in the bonus scheme and these can be based on Company specific business objectives, such as the achievement of specific strategic or operational goals including metrics that take account of business or corporate performance in environmental, social and governance areas and typically incorporate specific HSE related targets or objectives.**

With regards to long term performance targets, EPS growth or ROCE targets may be used and these are aligned with the long term levels of shareholder value creation and growth of the Company. A relative TSR condition ensures that there is clear alignment between shareholders and executives.

Where appropriate, targets are set based on sliding scales that take account of internal planning and external data. Only modest rewards are available for delivering performance at threshold levels or above with maximum rewards requiring outperformance of our challenging plans approved at the start of each year.

The Committee keeps the EPS target range under annual review, for each new award, to ensure it continues to remain appropriate.

Differences in executive remuneration policy compared to other employees

The Committee is made aware of pay structures across the wider Group when setting the remuneration policy for executive Directors. The Committee considers the general basic salary increase for the broader Group and, in particular the employees based in the US, UK and Europe, when determining salary increases for the executive Directors.

The same principles and values behind the design of remuneration for the executive Directors apply to **other members of the leadership team** and employees throughout the rest of the Group, with modifications to reflect local market practice and the level of seniority and ability to influence Group performance. Overall, the remuneration policy for executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the executive Directors given it is the executive Directors who are considered to have the greatest potential to influence shareholder value creation.

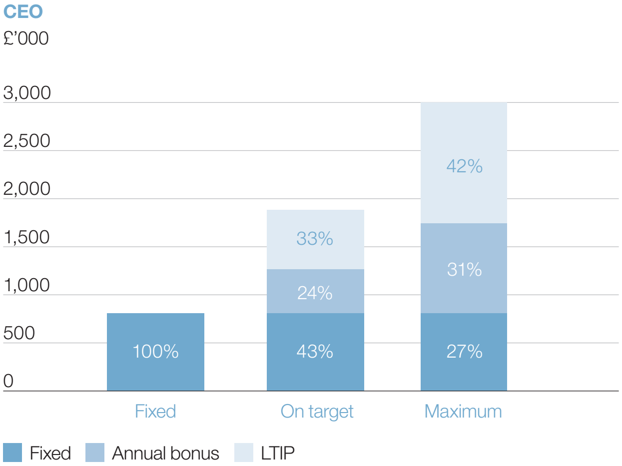
The level of variable pay varies by level of employee within the Group and is informed by the specific responsibilities of each role and local market practice as appropriate.

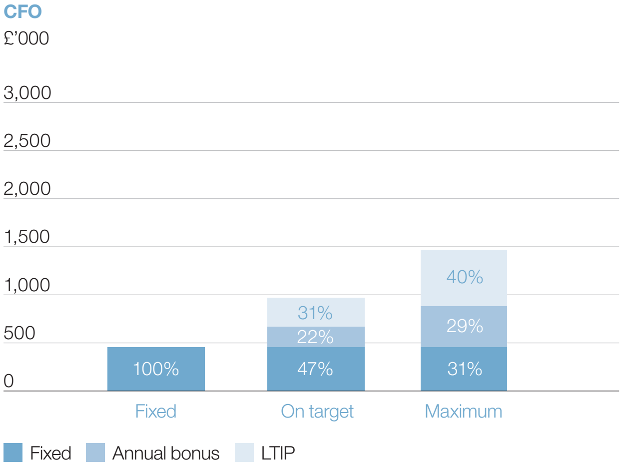
How the views of employees are taken into account

The Group does not actively consult with employees on executive remuneration. The Group has a diverse workforce operating in nine different countries, with various local pay practices, which would make any cost effective consultation impractical. However, as noted above, when setting the remuneration policy for executive Directors, the Committee takes into account the pay and employment conditions for other employees in the Group. This process ensures that any annual increase to the basic pay of executive Directors is not out of proportion with that proposed for other employees.

Remuneration policy report continued

Reward scenario analysis





The bar charts above illustrate the potential pay opportunities for executive Directors under three different scenarios for 2017. The CEO's remuneration has been converted into pounds sterling using the average exchange rate for 2016 ($1.3649:£1.00).

- Fixed: Comprises fixed pay being the value of salary, benefits and pension (benefits are included at an annualised level for 2016 and for the CEO, the employer's matching contributions to Defined Contribution plans are included at the estimated level of 4.5 per cent of salary).
- On target: The amount receivable assumes performance in which 50 per cent of annual bonus is payable and 50 per cent of long term incentive awards vest.
- Maximum: the maximum amount receivable should all stretch targets be met and vesting under both the annual bonus scheme and LTIP is 100 per cent.

When valuing the LTIP awards under the 'On target' and 'Maximum' scenarios, these are based on face value as a percentage of salary. The LTIPs also relate to awards to be made in 2017 rather than any awards vesting in 2017. For example, if the level of award for the CEO is 200 per cent of basic salary, then the 'On-target' scenario assumes that 50 per cent will vest and that value is included in the chart illustration. LTIPs exclude any dividend rights and excludes buy-out awards.

Recruitment policy

For executive Director recruitment and/or promotion situations, the Committee will follow the policy outlined below:

Element	Policy
Basic salary	Basic salary levels will be set in accordance with the Company's remuneration policy, taking into account the experience and calibre of the individual (e.g. typically around market rates prevalent in companies of comparable size and complexity) or salary levels may be set below this level (e.g. if the individual was promoted to the Board). Where it is appropriate to offer a below market rate of pay initially, a series of increases to the desired salary positioning may be given over the following few years subject to individual performance and development in the role.
Benefits	New Directors may be entitled to benefits such as life assurance, private medical health insurance, cover for dental costs, accidental death and disablement, long term disability and provision of either a company car (for business and personal purposes) or a car allowance, or any other appropriate benefit. Where necessary the Committee may approve the payment of reasonable relocation expenses to facilitate recruitment for a maximum period of 12 months.
Pension	A Company contribution into a pension plan and/or cash supplement of up to 30 per cent of salary. Legacy pension arrangements for promotees which may include defined benefit or US style arrangements may continue to operate on their existing terms.
Annual bonus	The annual bonus would operate as outlined for current executive Directors but to aid recruitment where necessary the maximum bonus opportunity is 200 per cent of basic salary. Bonus will be pro-rated for the proportion of the year served. Depending on the timing and responsibilities of the appointment it may be necessary to set different performance measures and targets initially.

Element	Policy
Long term incentives	Awards under the LTIP will be granted in line with the policy outlined for the current executive Directors on an annual basis but to aid recruitment where necessary the maximum award is 250 per cent of basic salary. An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant. In addition, if the grant of awards for that individual precedes his or her appointment as a Board Director for that financial year, the Committee's policy would include flexibility to top up awards for that year (subject to the overall individual salary limit) based on the executive's new salary.
Buy out awards	In the case of an external hire, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this would be provided for taking into account the form (cash or shares) and timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards may be granted using the Company's LTIP (up to the individual limit) or outside of the LTIP if necessary and as permitted under the Listing Rules.

Outside board appointments
The Company's policy is to support an executive should they wish to take on an external board appointment, provided that there is no conflict of interest and the role does not interfere with the executive's commitment or duties. If an executive does take on an external appointment they may retain any fees paid and will be restricted generally to only one such external appointment.

Service contracts
Executive Directors' service contracts contain a termination notice period not exceeding 12 months.

Name	Date of contract*	Notice period
Paul Waterman, CEO	6 November 2015	12 months
Ralph Hewins, CFO	27 June 2016	12 months

* The date of the service contract is not the same as the date of appointment which for Paul Waterman was 8 February 2016 and Ralph Hewins **12 September 2016.**

Copies of 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.

Policy on payment for loss of office
For the executive Directors, the terms covering termination were agreed at the date their contracts were made and both are required to mitigate their loss in the event of loss of office by making efforts to secure a new position. **Payments in lieu of notice to both the CEO and CFO may be reduced or ceased if either secures a new position. In both cases, the payments will only be ceased if the salary in a new position is equal to or more than the salary on termination; if not the monthly payments will be reduced by the gross salary earned by the CEO or CFO in his new position each month.**

It is the Company's policy to follow current market practice and preclude the inclusion of any payment (benefits, bonus or pension) other than basic salary in the calculation of termination payments and a notice period of 12 months. Payments will be phased on a monthly basis over the remaining notice period.

Termination payments
CEO and CFO
The maximum amount payable under both the CEO's and CFO's contract is basic salary, benefits and pension for 12 months while each serves his notice period.

The Company may pay compensation in lieu of the notice period of his basic salary only, to be paid in monthly instalments (pro-rated for the actual notice period). This would apply if the Company terminates his contract for any reason other than for cause, or if he serves notice to terminate his contract in 12 months' time.

Any entitlement to a bonus for any part of a financial year worked (including any period of notice worked) prior to cessation of employment is subject to the rules of the scheme and subject to performance. No bonus is payable for any period of notice not worked.

The above summary only addresses contractual rights to payments in lieu of notice, or during the relevant Director's notice period, and may not reflect any settlement or compromise sums which are separately agreed at the point of termination.

Committee discretion with regard to incentive plans
For any outstanding LTIP awards these are governed by rules of the plan and only in limited circumstances is discretion permitted. In such circumstances, the Committee retains the use of discretion in its administration of the LTIP as contained in the plan rules.

In the specific event of loss of office any discretion exercised would depend on the circumstances at that time and the performance achieved during the performance period. In the event of the death of an executive Director and an award has not yet vested the Committee, acting in its absolute discretion, may determine vesting from maturity rather than date of death. If an executive Director ceases employment due to injury, ill health, disability, redundancy within the meaning of UK legislation or its overseas equivalent, transfer out of the Group/sale of business or retirement with employer's consent (a 'Good Leaver' event) and an award has not yet vested the Committee, acting in its absolute discretion, may allow early vesting at the date of cessation rather than at date of vesting. All such awards would still be subject to performance conditions, which the Committee may not waive, as well as pro-rating for time which the Committee, acting fairly and reasonably, may waive in part or in full if it considers acting fairly and reasonably it is appropriate to do so.

Similar provisions apply in the event of a change of control, with performance measured up to the date of the relevant event and normally scaling back pro-rated for time.

Remuneration policy report continued

It is the Committee's policy to exercise these discretions in a way that would be in the best interests of the Company and depending on the individual circumstances of each case.

The Company operates an annual cash bonus scheme in which participation and payments are made subject to the discretion of the Committee. It is the Committee's policy to exercise any discretion in the Company's best interests and depending on the individual circumstances of each case.

Following the introduction of bonus deferral requirements, the rules of the annual bonus scheme have been amended to incorporate the deferral requirement as well as recovery and withholding provisions as summarised in the remuneration policy table. The rules will include discretion for the Committee, acting fairly and reasonably, to waive deferral on the occurrence of a Good Leaver event.

Under the amended rules of the LTIP, the holding period will apply to all participants who receive awards unless the Committee determines otherwise in its discretion, for example for awards made to below Board level participants. The holding period will expire on the earlier of two years and the date of specific events, such as a Good Leaver event or a change of control, although the Committee does have discretion to end the holding period for any other reason. This discretion will not be applied in a way that creates adverse tax consequences for US participants.

For US participants, grants under the LTIP and Deferred Share Bonus Plan will be treated as 'restricted stock units' so as to result in deferral of US income taxation until the shares are delivered to the participants. However, US social security tax will apply to the value of the grants at vesting (but not again on delivery of the shares). In order to avoid adverse US tax consequences, certain of the LTIP and Deferred Share Bonus Plan rules otherwise applicable to the holding/deferral period have been modified for US participants (e.g. delivery of shares will result from any separation from service of the Company and its affiliates regardless of Good Leaver status).

Legacy matters

Legacy awards or other commitments prior to the approval by shareholders of this policy report on 22 April 2015, including those made prior to 27 June 2012 but not modified or renewed after that date, to current or former Directors may still be paid notwithstanding that they have only been incorporated by reference and not been fully described in this Remuneration policy report. These legacy awards and commitments comprise the LTIP awards made in 2014, as more fully described in the 'Annual report on remuneration'.

Non-executive Directors' terms of appointment

Non-executive Directors are appointed for a three year term, subject to annual re-election by shareholders. For non-executive Directors who have served for nine years or more, they may be appointed for a further year at a time. Each letter of appointment provides that the Director's appointment can be terminated by the Company on six months' notice on any grounds without claim for compensation.

Non-executive Directors are not eligible to participate in any pension, bonus or share incentive schemes. No individual is allowed to vote on his/her own remuneration.

The table below provides further details of the letters of appointment that the non-executive Directors held with the Company during 2016.

Name	Date of appointment	Date of last re-appointment	Date of expiry
Non-executive Directors			
A Duff	01/04/14	N/A	**25/04/17**
A Christie	11/08/08	11/08/14	10/08/17
S Good	20/10/14	N/A	19/10/17
A Hyland	01/06/13	**01/06/16**	**31/05/19**
N Salmon	20/10/14	N/A	19/10/17

Copies of all letters of appointment of non-executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the AGM.

Shareholder engagement

The Committee encourages dialogue with the Company's shareholders and would consult with major shareholders and shareholder representative bodies ahead of any significant future changes to remuneration policy.

Annual report on remuneration

This Annual report on remuneration shows how the Company's policies and practices on Directors' remuneration will be applied in 2017 and how they were applied in relation to payments in respect of the financial year ended 2016. This report and the Chairman's annual statement on remuneration will be put to an advisory shareholder vote at the 2017 AGM.

Implementation of remuneration policy for 2017

This first section of the Annual report on remuneration describes how the Committee intends to implement the remuneration policy for the financial year ending 31 December 2017.

Basic salaries

The Committee considered carefully salary increases for 2017 and decided to award Paul Waterman and Ralph Hewins each a salary increase as shown in the table below, which is consistent with the average increase last year for the respective US and UK workforce.

	Salary as at 1 January 2017	Salary as at 1 January 2016	Increase
Paul Waterman	**$848,100**	$825,000*	2.8%
Ralph Hewins	**£334,425**	£325,000*	2.9%

* or date of appoinment if later

Pension and benefits

For the year to 31 December 2017, Paul Waterman and Ralph Hewins will receive the benefits set out in the Remuneration policy report.

Information concerning Brian Taylorson's remuneration in 2017 is set out on page 57.

Annual bonus

The maximum bonus opportunity will be 150 per cent of basic salary for Paul Waterman and 125 per cent of basic salary for Ralph Hewins.

Any bonus will be payable dependent on the achievement of financial and non-financial performance targets split 70:30. Of the financial elements these will have the following weights: PBT 50 per cent and AWC 20 per cent (relative to total bonus opportunity). PBT is defined as reported Group profit before tax, after adjusting items, and AWC is the 12 month average working capital to sales ratio expressed as a percentage. For both the PBT and AWC conditions, targets will be set on a sliding scale with the threshold, plan and stretch targets set at levels considered to be sufficiently challenging and bonus accrual at these levels under both conditions are 0 per cent, 50 per cent and 100 per cent, respectively, and linear in between.

For Paul Waterman and Ralph Hewins, the non-financial performance measures, which will be specific, measurable and objective, are linked to the achievement of Company specific objectives that are based on the strategic priorities set out at the Capital Markets Day held in November last year.

Each of the performance elements (PBT, AWC and non-financial objectives) is separate and capable of paying out independently. The Committee has discretion to modify the overall amount of bonus payable in exceptional circumstances and acting in the best interests of the Company.

The Committee considers that the bonus targets are commercially sensitive and therefore plans to disclose them only on a retrospective basis in next year's Directors' remuneration report. Bonus payments are based on salaries at the time of payment.

All employee share plans

Executive Directors will be entitled to participate in any all employee share plans on the same terms as any other eligible employee.

LTIP

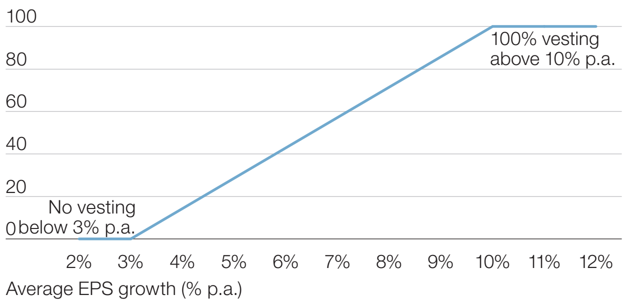
For the year to 31 December 2017, the CEO's and the CFO's awards will be 200 per cent and 175 per cent, respectively, of their basic salaries.

The performance targets that are intended to apply to the awards to be granted in the current year are the same as for 2016 in respect of both the EPS and TSR conditions, which are capable of paying out independently. For definitions, see page 39.

For the EPS condition, the chart shows that awards will vest on a linear scale from 0 per cent to 100 per cent for average annual EPS growth of 3 per cent to 10 per cent, respectively (2016: 3 per cent to 10 per cent). The EPS growth range has taken into account an assumption of the global inflationary environment and the range selected provides a strong link to the business strategy and is set at a level which the Committee considers to be appropriately challenging through the cycle.

Vesting schedule: EPS performance condition

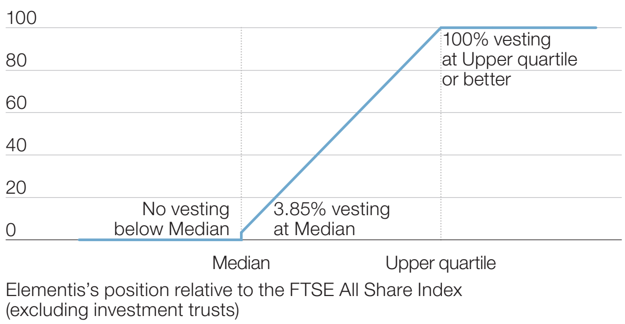
Percentage of award subject to EPS performance vesting



For the TSR condition, the chart shows that awards will vest on a linear scale from 3.85 per cent to 100 per cent for median to upper quartile performance, respectively. The TSR condition will be measured against the companies comprising the FTSE All Share Index (excluding investment trusts).

Vesting schedule: TSR performance condition

Percentage of award subject to TSR performance vesting



Annual report on remuneration continued

Non-executive Directors' remuneration

For the year to 31 December 2017, the fees payable to the Chairman and non-executive Directors will be as shown below:

	2017 £	2016 £
Chairman	**180,075**	175,000
Non-executive Director	**47,330**	46,000
Additional fees:		
Senior Independent Director	**8,230**	8,000
Chairman of Audit or Remuneration Committee	**8,230**	8,000

Fees were increased by 2.9 per cent in line with the UK salaried workforce increase in 2016.

Remuneration payable to Directors for 2016 (audited)

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.

A breakdown of the Directors' emoluments for the year ended 31 December 2016 is set out in the table below.

		Fixed				Performance related			
£'000	Year	Salary/fees	Benefits	Pension	Sub-total	Bonus	LTIP	Sub-total	Total
Executive Directors									
Paul Waterman, CEO[1]	**2016**	**541**	**39**	**140**	**720**	**230**	**505**	**735**	**1,455**
	2015	–	–	–	–	–	–	–	–
Ralph Hewins, CFO[2]	**2016**	**100**	**10**	**25**	**135**	**38**	**–**	**38**	**173**
	2015	–	–	–	–	–	–	–	–
Past Directors									
David Dutro[3]	**2016**	**73**	**7**	**18**	**98**	**–**	**–**	**–**	**98**
	2015	571	25	167	763	–	–	–	763
Brian Taylorson[4]	**2016**	**290**	**18**	**87**	**395**	**119**	**–**	**119**	**514**
	2015	338	20	238	596	–	–	–	596
Non-executive Directors									
Andrew Duff (Chairman)	**2016**	**175**	**–**	**–**	**175**	**–**	**–**	**–**	**175**
	2015	175	–	–	175	–	–	–	175
Andrew Christie	**2016**	**54**	**–**	**–**	**54**	**–**	**–**	**–**	**54**
	2015	54	–	–	54	–	–	–	54
Steve Good	**2016**	**46**	**–**	**–**	**46**	**–**	**–**	**–**	**46**
	2015	46	–	–	46	–	–	–	46
Anne Hyland	**2016**	**54**	**–**	**–**	**54**	**–**	**–**	**–**	**54**
	2015	54	–	–	54	–	–	–	54
Nick Salmon	**2016**	**54**	**–**	**–**	**54**	**–**	**–**	**–**	**54**
	2015	54	–	–	54	–	–	–	54
Total	**2016**	**1,387**	**74**	**270**	**1,731**	**387**	**505**	**892**	**2,623**
Total	2015	1,292	45	405	1,742	–	–	–	1,742

Notes

1 Paul Waterman, who was appointed CEO on 8 February 2016, is based in the US and paid in US dollars. He received an annual salary of $825,000 (2015: nil). His pension comprises 20 per cent of his salary and employer contributions to defined contribution pension schemes. All remuneration shown has been pro-rated for his 8 February 2016 start date (where relevant). FX used is the 2016 average rate of $1.3649:£1.00. Bonus shown is equivalent to 42.5 per cent of salary. The LTIPs relate to the tranche of his buyout award that vests on 7 March 2017 and has been valued using the average share price for the three months ended 31 December 2016 and based on 91.2 per cent vesting.

2 Ralph Hewins was appointed CFO-Designate and a Director on 12 September 2016 and CFO on 1 November 2016. His pension is made up of a salary supplement of 25 per cent. All remuneration shown has been pro-rated for his 12 September 2016 start date (where relevant). Bonus shown is equivalent to 38.0 per cent of salary.

3 David Dutro, who was CEO until 7 February 2016, was based in the US and paid in US dollars. He received an annual salary of $875,500 (2015: $875,500). His pension comprises 20 per cent of his salary and employer contributions to defined contribution pension schemes. All remuneration shown has been pro-rated to 7 February 2016. LTIP value assumes that the 2014 awards will lapse in full.

4 Brian Taylorson was CFO until 31 October 2016 and worked on a full time basis until the end of November 2016. His pension in 2016 comprised a salary supplement of 30 per cent of his salary. Bonus shown is equivalent to 41.0 per cent of salary and has been pro-rated to 30 November 2016. All other remuneration shown has been pro-rated to 31 October 2016. LTIP value assumes the 2014 awards will lapse in full.

Determination of annual bonus outcome for performance in 2016

This section shows the performance targets set in respect of the 2016 annual bonus scheme, the level of performance achieved and the amount of bonus payable to Directors.

		FY 2016 bonus plan targets				Percentage vesting		
Full year bonus	Relative weighting of performance conditions	Threshold	Plan	Stretch	Actual result	Paul Waterman CEO	Ralph Hewins CFO	Brian Taylorson Past Director[1]
Max as % salary (pro-rated)						134.43	37.91	114.41
PBT ($ million)	56%	108.1	116.8	122.8	89.7	nil %	nil %	nil %
AWC (%)	14%	–	21.6	–	22.1	nil %	nil %	nil %
Non-financial	30%	–	–	–	–	27.5%	30%	30%
Total full year payment	**100%**					**27.5%**	**30%**	**30%**

1 David Dutro, who served as CEO until 7 February 2016, did not participate in the 2016 bonus plan.

No bonus became payable for the PBT and Average Working Capital elements of the bonus plan. However, certain non-financial objectives were achieved as follows:

Paul Waterman

Key personal objectives included: (i) initiating a strategy review and developing a strategic plan for reigniting growth at the Company over the medium term; (ii) restructuring the leadership team and aligning it behind the delivery of the strategic plan; (iii) identifying the organisational and resourcing needs and developing a succession and development plan for key management roles; and (iv) reviewing and improving accountabilities for operational risk and improving health and safety performance in the Group.

Achievements included: (i) the completion of a strategic review culminating in widespread acceptance at a Capital Markets Day with focus on growth in Personal Care and Asia; (ii) initiating the implemention of KAM and the development of a globally coordinated supply chain; and (iii) the reshaping and implementation of a new leadership structure, with globalised functions such as marketing and R&D, supported by a new performance management system and the 'on-boarding' of a new CFO. Performance fell short of expectations on health and safety performance in relation to the targets for reduced total recordable injuries and Lost Time Accidents. The Committee determined that in the light of the above achievements and the strong performance in the role, 27.5 per cent out of 30 per cent should become payable in respect of the non-financial element of the bonus plan.

Ralph Hewins

Key personal objectives included: (i) managing an effective hand over process with the retiring CFO; (ii) designing a new finance organisation to support the business in the delivery of its strategy and of its operating model; and (iii) supporting the CEO and leadership team in the delivery of the Capital Markets Day.

Achievements included: (i) getting up to speed quickly on the control environment and the financial support needs of the business; (ii) leading the preparation for, and helping to present, a well received Capital Markets Day; and (iii) aligning the internal audit programme with business priorities and risks, as well as delivering a smooth year end process with appropriate support and engagement for a newly appointed external auditor. After the year end, Ralph also contributed significantly in the acquisition of SummitReheis, including arranging the appropriate and most cost effective debt in support of the transaction. The Committee determined that Ralph had made an excellent contribution to the above objectives and should receive the full 30 per cent award in respect of the non-financial element of the bonus plan.

Brian Taylorson

Key personal objectives included: (i) assisting the CEO to develop a strategic growth plan; (ii) developing relationships between the CEO and the wider investment, financial and adviser community; and (iii) effecting a smooth transition to Ralph Hewins as CFO. The Committee determined that Brian has achieved in full all of the objectives he was set and, accordingly, all 30 per cent should become payable in respect of the non-financial element of the bonus plan.

Annual report on remuneration continued

Directors' share based awards

Determination of 2014 LTIP awards

Of the Directors in place during the year, only David Dutro and Brian Taylorson held awards made in 2014, shown in the table on page 55 headed 'Directors' scheme interests'. These awards have a vesting date of 1 April 2017. The performance conditions (EPS and TSR, split 50:50) relate to performance over the three financial years ended 31 December 2016. Under the EPS condition, all of the awards subject to that condition would have vested in full if EPS grew during the three financial years ended 2016 by an average of RPI +10 per cent p.a. or more. Under the TSR condition, all of the awards subject to that condition would have vested in full if the Company's TSR performance (against the FTSE All Share index excluding investment trusts) in the three financial years ended 31 December 2016 was at or above upper quartile. Over the performance period, the Company's EPS growth did not achieve the minimum growth threshold and its TSR performance was 9 per cent which placed it at the 42nd percentile of companies in the FTSE All Share index. Accordingly, none of the 2014 awards will vest on 1 April 2017 and the LTIP component of the total remuneration figure in the table on page 50 is valued at nil.

Buyout awards in respect of Paul Waterman's recruitment

The Committee agreed to make replacement awards to Paul Waterman (as explained in last year's report) with a value of c.$1.5 million, representing all equity related remuneration being forfeited by him on joining Elementis. Two tranches of awards of restricted stock units ('RSUs') were made on 7 March 2016, each over 225,645 ordinary shares in Elementis.

Within each tranche was a portion (57.5 per cent or 129,745 shares) that was subject only to a service requirement of one or two years from the date of award (reflecting a minimum vesting value of the forfeited awards). The balance of the award (42.5 per cent or 95,900 shares) in each tranche was subject to performance conditions based on the following metrics: financial (cash) targets (30 per cent weight), operational (HSE) targets (30 per cent weight) and specific business objectives related to cost and talent management (40 per cent weight). These metrics were in nature similar and equivalently challenging to those of the forfeited awards.

The first tranche is due to vest on 7 March 2017 and based on the performance assessment (where applicable), 91.2 per cent of this award will vest, equivalent to 205,793 shares.

Details of the buyout awards and the performance outcome relating to tranche 1 are shown below.

Award	Type of share award	Grant date	Number of awards	Face value of award at grant (£000s)[1]	Percentage that would vest at threshold performance	End of the vesting period	A summary of performance targets and measures
Tranche 1	Nil cost option (restricted stock unit)	07.03.16	225,645	519	57.5% of the award is subject to a time service condition only, reflecting a minimum vesting value of the forfeited awards. Of the 42.5% of the award subject to performance conditions, 30% is subject to cash targets where threshold vesting is 2/3rds and threshold vesting for the remaining performance conditions (which are all non-financial objectives) vary.	07.03.2017	As above
Tranche 2	Nil cost option (restricted stock unit)	07.03.16	225,645	519		07.03.2018	As above

1 The share price used to determine the number of awards granted was 230.20 pence, being the average mid-market closing share price on the dealing day preceding the date of grant.

Tranche 1 overall vesting outcome

57.5 per cent or 129,745 shares: service only condition – will be met: per cent vesting, 100 per cent or 129,745 shares.
42.5 per cent or 95,900 shares: performance conditions (as below) – partially achieved: per cent vesting, 79.3 per cent or 76,048 shares.
100 per cent or 225,645 shares: per cent vesting in total; 91.2 per cent or 205,793 shares.

Performance related outcome (in respect of 42.5 per cent of the award or 95,900 shares)

Cash targets $m (30% weight)

Threshold	Payout	Plan	Payout	Stretch	Payout	Result	Payout
73.2	20%	78.3	25%	83.2	30%	77.5	24.3%

HSE targets (30% weight)

Goals	Payout	Result	Payout
Environmental performance in 2016 vs set metrics	15%	Achieved	15%
Safety performance in 2016 vs set metrics	15%	Did not achieve	nil

Business operational targets (40% weight)

Goals	Payout	Result	Payout
Business segment and central cost targets	20%	Achieved	20%
Talent management and succession planning objectives	20%	Achieved	20%
Total performance elements achieved:			**79.3%**

Tranche 2 performance measures
Similar cash, HSE and operational objectives were set in respect of the tranche 2 awards and, as these are considered commercially sensitive, they will be disclosed in next year's remuneration report.

Buyout awards in respect of Ralph Hewins's recruitment

As previously published on the Company's website, buyout or replacement awards were agreed with Ralph Hewins in order to compensate him for forfeiting remuneration triggered when he decided to leave BP to join Elementis. These comprise:
(i) 2014 equity and related awards that were mostly due to vest on 28 March 2017;
(ii) all other remaining 2015 and 2016 equity and related awards that will not vest for another two to three years; and
(iii) his lost 2016 bonus (pro-rated).

The value of (i) will depend on the actual percentage of the BP awards that will vest based on performance, as well as BP's share price at the date the BP awards are replaced. These awards will be satisfied (or replaced) through an award in March 2017 of Elementis shares (or nil cost options) with no performance conditions (reflecting the profile of the forfeited awards) but subject to a two year holding period. The share price of BP and Elementis that will be used to value the BP award and determine the number of Elementis shares to award will be the average mid-market closing share price on the dealing day preceding the date of grant.

The awards in (ii) were replaced entirely through a 2016 award on 19 September 2016 of Elementis nil cost options over 240,693 ordinary shares in Elementis, which is equivalent in value to 154 per cent of Ralph Hewins's starting salary. These awards are subject to the same EPS and TSR performance conditions as those made in April 2016 to other participants of the Elementis LTIP and will ordinarily also vest in April 2019.

Type of share award	Grant date	Number of awards	Face value of award at grant (£000s)[1]	Percentage that would vest at threshold performance	End of the performance period	A summary of performance targets and measures
Nil cost option	19.09.16	240,693	501	0% of the award subject to the EPS condition and 3.85% of the award subject to the TSR condition.	31.12.2018	Average annual EPS growth of 3% to 10% and TSR performance of median to upper quartile.

1 The share price used to determine the number of awards granted was 208.20 pence, being the average mid-market closing share price on the dealing day preceding the date of grant.

The value of (iii) agreed was £139,500 (duly pro-rated) and will be satisfied in March 2017 partly by cash (two thirds) and partly through an award of Elementis shares or nil cost options (one third). The shares would be deferred for three years with no performance conditions, reflecting the vesting profile of the forfeited remuneration.

All share based buyout awards to both Paul Waterman and Ralph Hewins were, or will be (where applicable), made under our remuneration recruitment policy and as permitted under the Listing Rules. Awards are made as part of a stand alone contractual arrangement borrowing from the terms of the rules of the 2008 LTIP (as amended), save for vesting periods, individual limits and performance targets (as applicable). The deferred bonus award will borrow from the terms of our Deferred Share Bonus Plan. All share based awards will be satisfied from repurchased trust held shares.

The Committee took advice from New Bridge Street when valuing the forfeited remuneration and structuring replacement awards and is satisfied that the value of the replacement or buyout awards for Ralph Hewins is no more than the value of the remuneration forfeited and that the nature and vesting conditions of the replacement awards are broadly similar to those awards being forfeited.

Annual report on remuneration continued

Annual LTIP awards granted in the year (audited)
LTIP awards made in 2016 are set out in the table below and are subject to EPS and TSR performance conditions (split 50:50) over the three years to 31 December 2018 as shown in the table below.

Award holder	Type of share award	Grant date	Number of awards	Face value of award at grant (£000s)[1]	Percentage that would vest at threshold performance	The end date of the performance period	A summary of performance targets and measures
Paul Waterman	Nil cost option (restricted stock unit)	04.04.16	487,816	1,163	0% of the award subject to the EPS condition and 3.85% of the award subject to the TSR condition.	31.12.2018	Average annual EPS growth of 3% to 10% and TSR performance of median to upper quartile.
Brian Taylorson	Nil cost option	04.04.16	255,395	609			

1 The share price used to determine the number of awards granted was 238.40 pence, being the average mid-market closing share price on the dealing day preceding the date of grant.

Details of awards in savings based share schemes are shown in the table on page 55.

Sourcing shares for our share plans
Employee share plans comply with the Investment Association's (previously ABI) guidelines on dilution which provide that overall issuance of shares under all plans should not exceed an amount equivalent to 10 per cent of the Company's issued share capital over any ten year period, with a further limitation of 5 per cent in any ten year period on discretionary plans. Based on the number of awards that remain outstanding as at the year end, the Company's headroom for all plans is 4.6 per cent and for discretionary plans 3.8 per cent of issued share capital.

Directors' scheme interests (audited)
The interests of the persons who were Directors during the year in the issued shares of the Company were:

	Interest type	Grant date	Option price (p)	01.01.16	Scheme interests: Granted during 2016	Scheme interests: Exercised during 2016	Scheme interests: Lapsed during 2016	31.12.16	Vested but unexercised share options
Executive Directors									
Paul Waterman*	A	07.03.2016	–	–	225,645	–	–	225,645	
	A	07.03.2016	–	–	225,645	–	–	225,645	
	B	04.04.2016	–	–	487,816	–	–	487,816	
Total scheme interests					**939,106**			**939,106**	**Nil**
Ralph Hewins*	C	19.09.2016	–	–	240,693	–	–	240,693	
Total scheme interests					**240,693**			**240,693**	**Nil**
Past Directors									
David Dutro**	D	22.08.2014	242.93	9,523	–	–	9,523	–	
	B	02.04.2013	–	289,750	–	–	289,750	–	
	B	01.04.2014	–	267,507	–	–	–	267,507†	
	B	27.04.2015	–	324,230	–	–	233,030	91,200	
Total scheme interests				**891,010**			**532,303**	**358,707**	**Nil**
Brian Taylorson**	D	01.10.2014	216.58	8,311	–	–	–	8,311	
	B	26.06.2012	–	177,517	–	177,517	–	–	
	B	02.04.2013	–	214,398	–	–	214,398	–	
	B	01.04.2014	–	193,663	–	–	–	193,663†	
	B	27.04.2015	–	189,947	–	–	–	189,947Ω	
	B	04.04.2016	–	–	255,395	–	–	255,395Ω	
Total scheme interests				**783,836**	**255,395**	**177,517**	**214,398**	**647,316**	**Nil**

Notes
* Paul Waterman and Ralph Hewins were appointed Directors on 8 February and 12 September 2016 respectively.
** David Dutro and Brian Taylorson ceased to be Directors on 7 February and 31 October 2016 respectively.
† As the performance conditions were not met, these awards will lapse in full on 1 April 2017.
Ω These awards will lapse on the earlier of the normal vesting date (36 months from grant) and 16 May 2017.
A Replacement awards structured as Restricted Stock Units made under standalone arrangements that borrow terms from the LTIP as amended. Vesting conditions as set out on page 52.
B LTIP awards are subject to performance conditions. The same EPS growth (RPI plus 4 per cent to 10 per cent p.a.) and relative TSR performance conditions apply in respect of the awards made in 2013, 2014 and 2015, as described in the Remuneration policy report. These also applied to the 2016 award except that the EPS condition was average annual growth of 3 per cent to 10 per cent. These awards ordinarily vest on the third anniversary of the grant date and would expire on the tenth anniversary.
C Replacement awards structured as nil cost options made under standalone arrangements that borrow terms from the LTIP as amended. Vesting conditions as set out on page 53.
D Savings based share options schemes are not subject to performance conditions. David Dutro's options were held under the US sharesave scheme and would ordinarily vest on the second anniversary of the grant date and expire three months thereafter. Following his retirement, these options lapsed after the exercise period permitted under the scheme rules expired at the end of April 2016. Brian Taylorson's options are held under the UK SAYE scheme. Further details on these schemes are shown in note 24 to the 'Consolidated financial statements' on page 105.

Annual report on remuneration continued

Directors' share interests (audited)
The interests of the Directors (including any connected persons) during the year (and from the year end to 1 March 2017) in the issued shares of the Company were:

	01.01.16*	Share interests: Acquired during 2016	Share interests: Disposed during 2016	31.12.16	Shareholding level met as at 31.12.16
Executive Directors					
Paul Waterman	–	35,000	–	35,000	No[3]
Ralph Hewins	–	–	–	–	No[3]
Non-executive Directors					
Andrew Duff	50,000	–	–	50,000	n/a
Andrew Christie	10,000	–	–	10,000	n/a
Steve Good	10,000	–	–	10,000	n/a
Anne Hyland	10,000	–	–	10,000	n/a
Nick Salmon	10,000	–	–	10,000	n/a
Past Directors					
David Dutro[1]	520,818	–	520,818	–	n/a
Brian Taylorson[2]	440,778	93,834	–	534,612	n/a

* Or from date of appointment if later.
1 David Dutro disposed of his shareholding shortly after his employment ceased.
2 Brian Taylorson retained 93,834 shares following the exercise and sale of options over 177,517 shares granted under the LTIP in 2012 at a price of 186.06 pence, giving him a pre-tax gain of c.£330k.
3 As per the Remuneration policy, share awards vesting over time will contribute to meeting the shareholding level.

The market price of ordinary shares at 31 December 2016 was 277.4 pence (2015: 229.1 pence) and the range during 2016 was 180.6 pence to 277.4 pence (2015: 208.2 pence to 320.5 pence).

As at 1 March 2017, the Trustee of the Company's ESOT held 455,000 shares (2015: 160,000). As executive Directors, Paul Waterman and Ralph Hewins, 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 2017, 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 2016 and 1 March 2017 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.

Other than their service contracts, letters of appointment and letters of indemnity 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.

Retirement benefits
The table overleaf shows the breakdown of the retirement benefits of the executive Directors, comprising employer contributions to defined contribution plans and salary supplements paid in cash. Neither David Dutro nor Brian Taylorson accrued any benefits under any defined benefit scheme in 2016, which are closed to new members.

Paul Waterman received a salary supplement of 20 per cent of his basic salary (pro-rated) and participated in the Defined Contribution plans, the details of which can be found in the Remuneration policy report. The amount shown in the table overleaf represents employer matching contributions and both this and the salary supplement are included in the Directors' emoluments table shown on page 50. Ralph Hewins received a salary supplement of 25 per cent of his basic salary (pro-rated) in lieu of any other retirement benefit. The amount received is shown in the table overleaf and in the Directors' emoluments table. Brian Taylorson also received a salary supplement in lieu of any other retirement benefit which was 30 per cent of his basic salary. The amount shown overleaf has been pro-rated for the period in which he served as a Director. David Dutro received a salary supplement of 20 per cent of his basic salary (pro-rated) and, as he also participated in the Defined Contribution plans, he received a further amount in employer matching contributions as shown in the table overleaf.

Directors' retirement benefits (audited)

	Defined Contribution plans		Salary supplement	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Paul Waterman	23	–	117	–
Ralph Hewins	–	–	25	–
Past Directors				
David Dutro	4	53	14	114
Brian Taylorson	–	–	87	238

Payment for loss of office

David Dutro did not receive any payment for loss of office as a Director of the Company or any other payments in relation to the cessation of his employment. After he left the Board on 7 February 2016, he continued to work and support Paul Waterman until 29 February 2016. During that period, he continued to receive his fixed remuneration (comprising basic salary, benefits and pension). He did not participate in the 2016 bonus plan and his LTIP awards and sharesave options were treated in accordance with the rules of the plans as follows: the 2013 LTIP awards lapsed in April 2016 as the performance conditions were not achieved; the 2014 LTIP awards (which were not pro-rated for time served) will lapse on 1 April 2017 also due to performance conditions not being achieved; the 2015 LTIP awards will ordinarily vest in April 2018 subject to performance (these awards will be pro-rated for time served); and any outstanding sharesave options held may be exercised in accordance with the rules.

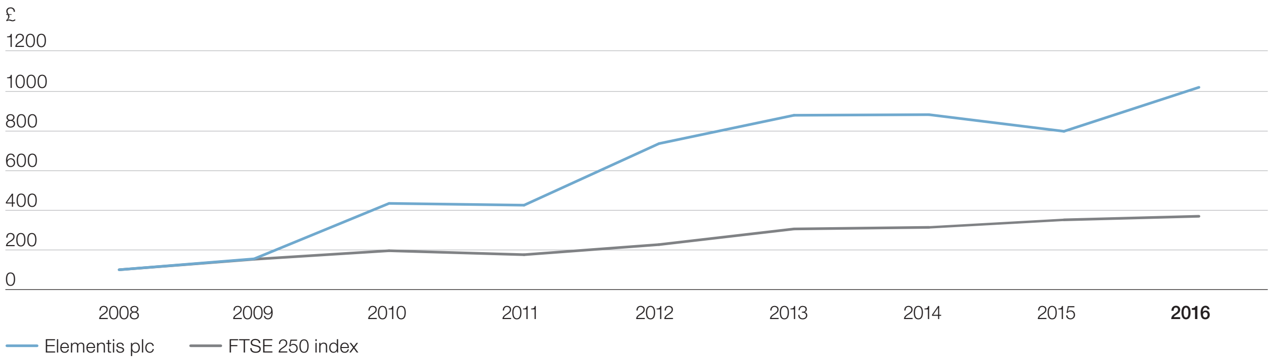
Brian Taylorson did not receive any payment for loss of office as a Director of the Company or any other payments in relation to the cessation of his employment. After he left the Board on 31 October 2016, he continued to work and support Ralph Hewins on a full time basis until the end of November 2016 and then as required during the remainder of his notice period which ends on 16 May 2017. From 1 November 2016 to 16 May 2017, he has received and will continue to receive his fixed remuneration (comprising basic salary, benefits and pension). He will not be participating in the 2017 bonus plan and his LTIP awards and savings based options were treated in accordance with the rules of the plans as follows: the 2014 LTIP award will lapse on 1 April 2017 as the performance conditions were not achieved; the 2015 and 2016 awards will lapse on expiry of his notice period which ends on 16 May 2017; and any outstanding savings based options held may be exercised in accordance with the rules.

Total shareholder return performance and change in CEO's pay

The graph below illustrates the Company's total shareholder return for the eight years ended 31 December 2016, relative to the FTSE 250 Index, along with a table illustrating the change in CEO pay since 2009. The table also details the varying award vesting rates year on year for the annual bonus scheme and LTIP.

As the Company's shares are denominated and listed in pence, the graph below looks at the total return to 31 December 2016 of £100 invested in Elementis on 31 December 2008 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 is a member of it.

TSR performance (rebased to 100)



	2009	2010	2011	2012	2013	2014	2015	**2016**
CEO pay (total remuneration – £'000s)	576	1,031	2,964	3,560	2,252	1,573	763	**1,553***
Annual bonus award against maximum opportunity	0%	100%	100%	81%	56%	50%	0%	**27.5%**
LTIP vesting against maximum opportunity	88%	0%	100%	100%	100%	65%	0%	**91.2%****

* Includes remuneration for Paul Waterman and David Dutro for the period in which each was CEO during 2016 as shown in the Directors' emoluments table.
** Relates to Paul Waterman's replacement awards vesting in March 2017.

Annual report on remuneration continued

Relative importance of spend on pay

The table below shows the total remuneration paid across the Group together with the total dividends paid in respect of 2016 and the preceding financial year.

Remuneration against distributions

£m	2016	2015	Change
Remuneration paid to all employees (see note 8 to the Consolidated financial statements)[1]	**77.7**	67.4	15.3%
Total dividends paid in the year[2]	**55.1**	46.0	19.8%

1. The amounts for 2016 and 2015 have been converted from dollars into pounds sterling using the average USD/GBP exchange rates for those years.
2. 2016 and 2015 include a special dividend payment of $37.0 million (£27.1 million) and $32.1 million (£20.8 million) respectively.

Percentage change in CEO's pay

The following table shows the change from 2015 to 2016 of the CEO's pay with regard to the three elements set out below and the corresponding change of these elements across all employees within the Group.

	% Change from 2015 to 2016*		
	Salaries	Benefits	Bonus**
CEO pay (total remuneration)	7.5%	84.0%	27.5%
All employees	12.9%	16.6%	86.5%

* All percentages are based on converting relevant local currencies into pounds sterling using the average rates for the respective year.
** Change in bonus relates to payments in respect of the relevant financial years.

Statement of shareholder voting

The resolution to approve the 2015 Directors' remuneration report (excluding the remuneration policy) was passed on a poll at the Company's last AGM held on 27 April 2016. Set out in the table below are the votes cast by proxy in respect of that resolution.

Approval of 2015 Directors' remuneration report

	Votes for	% For	Votes against	% Against	Votes withheld
Report	287,022,138	78.37	79,194,588	21.63	1,405,108

Votes withheld are not included in the final figures as they are not recognised as a vote in law.

A number of shareholders voted against the remuneration report due to the decision not to pro-rate the departing CEO's 2014 LTIP award despite the fact that they were not expected to vest and did in fact lapse. Shareholders' concerns are understood and the Company will reflect on these concerns in future years.

Other information about the Committee's membership and operation

Committee composition

The Chairman and members of the Committee are shown on pages 30 to 31, together with their biographical information. Eight meetings were held during 2016 and the attendance records of Committee members are shown on page 33. All meetings were also attended by the Chairman of the Board, to ensure that all non-executive Board members were kept fully informed on the operation and work of the Committee. Both executive Directors also attend meetings by invitation, as appropriate, although they are not present when their own remuneration arrangements are discussed or, if they are, they do not participate in the decision making process.

Terms of reference

A full description of the Committee's terms of reference, which was reviewed and revised last year, is available on the Company's website and the following is a summary of its responsibilities:

- Determining the levels of remuneration for the Chairman and executive Directors and keeping these under review.
- Making awards under the annual bonus scheme and LTIP, including setting performance targets.
- Monitoring and making recommendations on the design, structure and level of remuneration for all senior executives, ensuring that these are appropriately linked to the Group's strategy and aligned with the Board's risk profile.

Evaluation, training and development

On an annual basis the Committee's effectiveness is reviewed as part of the evaluation of the Board. Following the evaluation last year, there were no major issues to report.

During 2016 Committee members attended various external seminars on the latest developments on executive remuneration and all Board members received briefings from the Company Secretary and the Committee's remuneration advisers throughout the year, to keep them updated on topical matters and developments relating to executive remuneration.

Remuneration advisers

The Committee's external advisers are New Bridge Street ('NBS') who were appointed after a tender in 2008. This was reviewed again in 2013 and as a result they were retained as advisers. The Committee is satisfied that there is no over reliance on NBS, who have no connection with the Company other than as remuneration advisers. Fees (excluding VAT) in 2016 were less than £36,000 and related to advisory services for the structure of remuneration packages for the new CEO and CFO, the departure of two executive Directors in the year, the review of the 2015 remuneration report, the operation of the Company's share plans and a review of below Board level incentives.

In addition, Willis Towers Watson ('WTW') were engaged by management during the year to support on a below Board review of incentives. As part of this engagement, a representative from WTW attended two of the Committee's meetings held during the year to present alongside management on observations and recommendations. Fees in relation to attendance at these two meetings totalled less than $4,000. The Company and Committee are satisfied that the advice received was independent and objective.

WTW were also engaged separately by management to design and implement a new HR system. The above fees do not include the costs involved in supporting management on either of these projects. WTW have no other connection with the Company beyond that as an employee benefit consultant.

Auditable sections of the Directors' remuneration report
The sections of the Annual report on remuneration that are required to be audited by law are as follows: Remuneration payable to Directors for 2016 and Retirement benefits; and tables headed Annual LTIP awards granted in the year, Directors' scheme interests, Directors' share interests and Directors' retirement benefits.

Andrew Christie
Chairman, Remuneration Committee
1 March 2017

Directors' report

Report and financial statements
The Directors submit their report and the audited financial statements for the year ended 31 December 2016.

This Directors' report includes the Corporate governance reports from pages 30 to 59.

Strategic report, future development, GHG emissions and R&D
The Strategic report can be found on pages 2 to 29. That report, which forms part of this Directors' report, also includes information about:

- Future developments in the business of the Group.
- Greenhouse gas emissions.
- R&D activities.

Takeover Directive disclosures
The management report, for the purposes of the UK Listing Authority's Disclosure and Transparency Rules, comprises the following sections: the Strategic report, this Directors' report, the Directors' responsibility statement and the biographical information on the Directors on pages 30 and 31.

Dividend
Details about the final dividend for the year, as well as a special dividend, are disclosed in the Chairman's statement on pages 2 and 3.

Directors and their share interests
The current Directors and their biographical details are detailed on pages 30 and 31. Changes to the Directors during the year and up to the date of this report, are set out below:

Name	Title	Effective date
David Dutro	CEO	Resigned 7 February 2016
Paul Waterman	CEO	Appointed 8 February 2016
Ralph Hewins	CFO	Appointed 12 September 2016
Brian Taylorson	CFO	Resigned 31 October 2016
Sandra Boss	Non-executive Director	Appointed 1 February 2017
Dorothee Deuring	Non-executive Director	Appointed 1 March 2017

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

Employment policies and equal opportunities
Elementis policies seek to create a workplace that has an open atmosphere of trust, honesty and respect. Harassment or discrimination of any kind based on race, colour, religion, gender, age, national origin, citizenship, mental or physical disabilities, sexual orientation, veteran status, or any other similarly protected status is not tolerated. This principle applies to all aspects of employment, including recruitment and selection, training and development, promotion and retirement.

Employees are free to join a trade union or participate in collective bargaining arrangements.

It is also Group policy for employees who have a disability to reasonably accommodate them, where practicable, and to provide training, career development and promotion, as appropriate.

It is Group policy not to discriminate on the basis of any unlawful criteria and its practices include the prohibition on the use of child or forced labour.

Elementis supports the wider fundamental human rights of its employees worldwide, as well as those of our customers and suppliers, and further details are set out in the Corporate responsibility report. Compliance with the Modern Slavery Act will be published on the Company's corporate website later in the year.

Employee communications and involvement
The Company is committed to employee involvement throughout the business. Employees are kept informed of the performance and strategy of the Group through email. Telephone conference calls are held by the CEO to employees worldwide and these serve as an informal forum for employees to ask questions about the Group.

The Company operates savings based share option schemes in the US and UK to encourage and support employee share ownership.

Going concern
The Directors have assessed the Group as a going concern, having given consideration to the factors likely to affect its future performance and development, the Group's financial position and the principal risks and uncertainties facing the Group, including the Group's exposure to credit, liquidity and market risk and the mechanisms for dealing with these risks.

The Group's net cash position at the year end of 2016 was $77.5 million and it has access to a syndicated revolving credit facility of $100 million, which has an expiry date of October 2018. There is a mechanism in the agreement for the facility to be increased by a further $100 million subject to other terms.

Under this principal borrowing facility, the Group performs covenant tests for net debt:EBITDA ratio, interest cover and net worth. No breaches in the required covenant tests were reported during the year. The Group also uses various short and medium term forecasts to monitor anticipated future compliance and these include stress testing assumptions to identify the headroom on these covenant tests.

After the year end and in connection with the acquisition of SummitReheis, the Group refinanced the above facility by replacing it with a new $275 million revolving credit facility and a new term loan facility for $200 million. These new facilities were arranged through a syndicate of initially four banks for a period of five years and on terms that are in line with the Group's existing facility. However, these new facilities are subject to the SummitReheis acquisition closing.

The Directors are satisfied that, after considering all of the above, it is appropriate for the Group and the Company to adopt the going concern basis of accounting in preparing these Group and the parent company financial statements, and that there are no material uncertainties to the ability of the Group and Company to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

Business viability statement

In accordance with Corporate Governance Code provision C.2.2, the Directors have reviewed the Group's current position and carried out a robust assessment of the principal risks and uncertainties that might threaten the business model, future performance, solvency and liquidity of the Group, including resilience to such threats, and consider that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least three years.

A period of three years was chosen as being consistent with the Group's business and financial planning models, R&D plans, a number of key supply contracts and external borrowing facilities, and three years is the period used for mid-term business planning purposes. Whilst the Directors have no reason to believe that the Group will not be viable over a longer period, a three year period allows the Directors to make the viability statement with a reasonable degree of confidence whilst providing shareholders with an appropriate longer term outlook. The Directors' viability assessment of the Group's prospects is based on reviews of annual operating and three year business plans, the Group's strategy and strategic priorities, principal risks and how these are managed and mitigated. How these reviews were carried out, the principal risks and how they are being managed are more fully described and explained in the risk management section of the Strategic report on pages 17 to 21, together with relevant assumptions and qualifications.

Share capital

The Company's share capital consists of ordinary shares, as set out in note 9 on page 114. 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 ESOT 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 2016 the ESOT held 455,000 shares in the Company (2015:160,000). A dividend waiver is in place in respect of all shares that may become held by the Trust.

Directors, Articles and purchase of shares

The Directors' powers are conferred on them by UK legislation and by the Company's Articles. Rules about the appointment and replacement of Directors are also set out in 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

There are few significant agreements which the Company is party to that take effect, alter or terminate in the event of change of control of the Company. The Company is a guarantor under the Group's existing $100 million revolving credit facility and, in the event of a change of control, any lender among the facility syndicate, of which there are four with commitments ranging from $20 million to $30 million, may withdraw from the facility and that lender's participation in any loans drawn down are required to be repaid. In respect of the replacement facilities (see page 60), any lender among the facility syndicate may withdraw from the facility and that lender's participation in any loans drawn down would be required to be repaid.

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 would 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.

Substantial shareholders

As at 1 March 2017, the following interests in voting rights over the issued share capital of the Company had been notified.

	Ordinary shares	Percentage of issued ordinary share capital
AXA Investment Managers S.A.	46,255,532	9.98
APG Asset Management N.V.	32,912,296	7.10
Blackrock, Inc	25,927,077	5.59
Ameriprise Financial, Inc. and its group	23,267,180	5.02
FMR LLC	23,192,771	5.00
Aberdeen Asset Managers Limited	23,089,702	4.98

Deloitte LLP were appointed the Company's auditors by shareholders at the 2016 AGM and a resolution is included in the Notice of Meeting for the 2017 AGM to re-appoint Deloitte LLP as auditors.

The Directors who held office at the date of approval of this Directors' report confirm that, in so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Political donations

The Group made no political donations during the year (2015: nil). A resolution is being proposed at the 2017 AGM to renew the authorisation from shareholders for the Company and its subsidiaries to make political donations or incur political expenditure up to a maximum annual limit of £50,000. Information about this proposal is explained in the Notice of Meeting accompanying this Annual Report.

Directors' conflicts of interest

Brian Taylorson, up until his resignation on 31 October 2016 as CFO, was in receipt of a conflict authorisation from the Company in respect of him acting as a trustee of the Elementis Group Pension Scheme. Ralph Hewins, CFO, was appointed a trustee of the Elementis Group Pension Scheme in November last year and is also in receipt of a conflict authorisation from the Company.

The conflict authorisation enables Ralph Hewins 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 Board considers that it is appropriate for the trustees of the UK pension scheme to benefit from the financial expertise of the CFO and that his contribution at trustees' meetings demonstrates the Board's commitment to supporting the UK pension scheme. The Board's conflict authorisation is subject to annual review and, 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, Ralph Hewins is required to excuse himself from reading the relevant papers and absent himself from participating in relevant discussions. No other Directors were in receipt of a conflict authorisation from the Board during the year.

Other information
Information about financial risk management and exposure to financial market risks are set out in note 21 to the financial statements on page 94.

Annual General Meeting
The AGM of the Company will be held on Tuesday 25 April 2017. The Notice of Meeting is included in a separate document sent to shareholders.

Events after the balance sheet date
On 10 February 2017 the Group announced its intention to acquire SummitReheis, a global leader in the fast growing anti-perspirant actives market with operations in the US, Europe and Asia, for consideration of $360 million. Details of the proposed acquisition and its financing are included in note 30 to the Consolidated financial statements.

By order of the Board

Wai Wong
Company Secretary
1 March 2017

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement
We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, 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.
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company 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 Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Ralph Hewins
CFO
1 March 2017

Independent auditor's report to the members of Elementis plc

Opinion on financial statements of Elementis plc
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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- 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.

The financial statements that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the Consolidated Financial Statement related notes 1 to 31;
- the Parent Company Balance Sheet;
- the Parent Company Statement of Changes in Equity; and,
- the Parent Company Statutory Accounts related notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: – Environmental provisions; – Post-retirement benefits; – Deferred tax assets; and – Revenue recognition. Within this report, any new risks are identified with ↑ and any risks which are the same as the prior year identified with ↔.
Materiality	The materiality that we used in the current year was $4.7 million which was determined on the basis of 6.2 per cent of profit before tax.
Scoping	We have performed full scope audits of five components comprising 88 per cent of the Group's revenue and 94 per cent of the Group's profit before tax.
Significant changes in our approach	After his appointment during the year, the CEO reorganised the leadership team and we have structured our component audit teams to follow this structure as closely as possible. This resulted in the identification of six components, of which five are considered to be significant to the Group. We have included an additional risk over revenue recognition given the proportion of audit effort and allocation of resources as part of our audit strategy.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Directors' report on page 61.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 17 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 19 to 21 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Directors' explanation on page 61 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Environmental provisions ↔

Risk description

In line with other companies within the chemicals industry, Elementis holds provisions for the monitoring and remediation of a number of operating and legacy sites, including those sold off or no longer occupied. In accordance with Elementis's environmental provision policy, a provision is recognised for the restoration of contaminated land when the land is contaminated. As at 31 December 2016, Elementis holds a provision of $31.4 million (2015: $29.5 million) against these liabilities.

The accounting for these provisions involves judgement as to the estimated future cash flows required to remediate these sites. The determination of these cash flows and the discount rates applied is fundamental to this audit risk.

The Group's accounting policy is included within note 1 to the consolidated financial statements, where this is included as a critical accounting judgement. There is additional disclosure included within note 15. The Audit Committee discussion is included on page 36.

How the scope of our audit responded to the risk	We have audited the assumptions used in management's calculation of the provision. Our procedures included: – Holding discussions with management and the Group's external environmental consultants on the identified environmental issues to confirm our understanding of the current situation and to understand the process by which management and the external consultants prepared the cash flow forecasts. – Performing searches of external databases to determine completeness of the identified environmental issues and sites. – Assessing recent forecasting accuracy against actual performance. – For a sample of locations, agreeing the forecast cash flows to supporting documentation and historical experience and assessed the expected monitoring time frames. – Involving our internal valuation specialists to challenge the appropriateness of the discount rates applied by comparison to our own internal benchmark data.
Key observations	As a result of our work, we have concluded that the provisions held by Elementis in relation to environmental remediation and monitoring appear reasonable. We note that management had reassessed the discount rate used in the calculation of the provision, which has resulted in a one-off charge to the income statement of $4.5 million.

Post-retirement benefits ↔

Risk description	Elementis provides post-retirement benefits, including defined benefit pensions and post-retirement medical benefits, to employees in a number of locations, primarily the US and the UK. There are significant judgements made in valuing the Group's obligations in respect of these schemes, namely the discount rates, inflation rates and mortality assumptions and a change in one of these assumptions could give rise to a material impact on the financial statements and the Group has engaged actuarial specialists to assist management in this regard. The Group has valued the net liability for all schemes (after offsetting against the scheme assets) of $30.1 million (2015: $29.0 million). The gross liability for all schemes was $842.8 million (2015: $869.9 million). The Group's accounting policy is included within note 1, where this is also included as a key source of estimation uncertainty. Additional disclosures on the assumptions used in valuing the schemes are included within note 23 of the financial statements, which includes details of the principal assumptions used, as well as the key movements in the assets and obligations of the schemes. The Audit Committee's consideration in respect of this risk is included on page 37.
How the scope of our audit responded to the risk	For each of the material schemes held by the Group, we have performed the following substantive audit procedures: – Involved our own actuarial specialists to challenge the appropriateness of the key assumptions used in the valuation of the schemes' liabilities, to determine whether they are reasonable by comparison to external benchmark data and by consideration of the methodology used to derive the assumptions. – Tested the completeness and accuracy of the information provided to the Group's actuarial specialists.
Key observations	From the work performed, we are satisfied that the methodology and assumptions applied in determining the scheme liabilities are appropriate.

Deferred tax assets ↔

Risk description	The Group has recognised deferred tax assets of $16.1 million (2015: $14.2 million), including $23.0 million (2015: $34.0 million) in respect of Advanced Corporation Tax ('ACT') credits as a result of franking credits paid on historical dividends pre-1999. There is inherent uncertainty involved in forecasting the future profits which support the extent to which these assets can be recovered. The Group's accounting policy is included within note 1, where this is also included as a key source of estimation uncertainty, as well as additional disclosure within note 16. The Audit Committee's consideration in respect of this risk is included on page 37.

Independent auditor’s report to the members of Elementis plc continued

How the scope of our audit responded to the risk	We have engaged our own internal tax specialist to assist in understanding and assessing the Group structuring put in place to determine whether the ACT credits were kept available for future use by the Group. We have considered the relevant tax legislation and the measures implemented by management to ensure that the ACT credits are available for future use. We have reviewed correspondence with HMRC and other supporting documentation to determine the historic amounts paid in respect of ACT and assessed management’s determination of the amounts available for use by the Group. We have reviewed and challenged the technical advice that management have received in respect of the ACT credits. We have also assessed the forecast future profits by: – considering the process by which management had prepared its forecasts; – assessing recent forecasting accuracy against actual performance; – determining whether the 2017 projections for the UK were consistent with the budget for 2017 as adopted by management and approved by the Board of Directors; and – determining whether the cash flow projections for 2018 and 2019 (as included in management’s three year plan) were in line with our understanding of trends in the business.
Key observations	From the work performed, we are satisfied that the judgements made by management are reasonable in the context of the information currently available to them and no matters were identified by our work that was not adequately reflected in the estimate of the amounts recoverable.

Revenue recognition ↑

Risk description	Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer and an adjustment is made at the period end for goods which have been despatched but have not yet met the criteria for recognition. This adjustment is made using management’s best estimate of the date at which goods reach the destination port. Management have determined that a more prudent revenue recognition policy, based on the shipping terms, is to recognise revenue at a reliable estimate of the date at which goods reach the destination port and that therefore they have applied this accounting policy change retrospectively. The accounting policy is described in note 1 and additional disclosure on the restatement, including the financial impact, is given in note 31 and is also given in the Audit Committee report on page 37.
How the scope of our audit responded to the risk	We have performed the following procedures in order to address the risk: – reviewed and assessed the commercial arrangements covering shipments, to determine the correct point of revenue recognition for different shipment arrangements and agreements with customers; – selected a sample of international shipments made pre-year end for time periods varying by destination port and therefore transit time for shipments and agreed these to customer order, shipment and invoice details, cash receipts and goods receipt notes; and – substantively tested post year end credit notes raised to determine if revenue was inappropriately recognised in the year.
Key observations	From the work performed, we agree with management’s assessment and application of the new accounting policy.

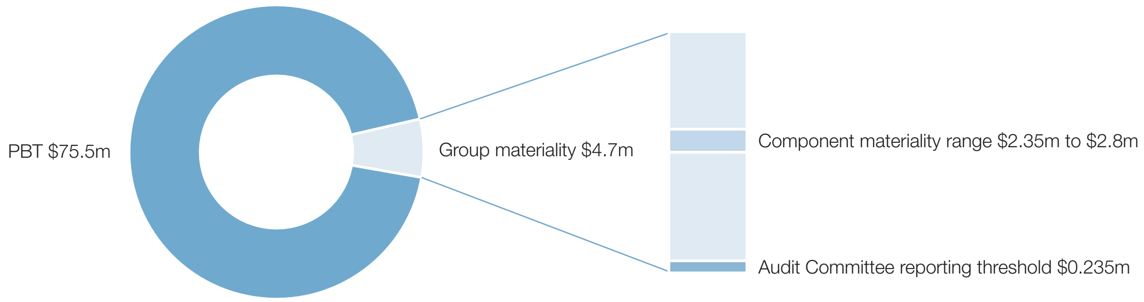
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	$4.7 million (2015: $6.0 million)
Basis for determining materiality	Materiality was set on the basis of forecast profit before tax, and is calculated at 6.2 per cent of profit before tax. In 2015 the previous auditor set materiality on the basis of 4.9 per cent of profit before tax.
Rationale for the benchmark applied	We have used profit before tax as the benchmark for our determination of materiality as we consider this to be a critical performance measure for the Group on the basis that it is a key metric to analysts and investors and has substantial prominence in the Annual Report.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $235,000 (2015: $300,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group wide controls, and assessing the risks of material misstatement at the group level.

After his appointment during the year, the CEO reorganised the leadership team and we have structured our component audit teams to follow this structure as closely as possible. This resulted in the identification of six components, of which five are considered to be significant to the Group:

– the Specialty Products operations in the US,
– the Chromium operations in the US;
– the Specialty Products operations in the UK;
– the Specialty Products operations in Taiwan, including the Chinese operations; and
– the Surfactants operations in the Netherlands.

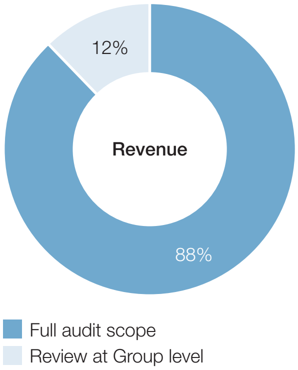
All five of these locations were subject to full scope audits performed by local component teams, except the Specialties UK operations where the Group audit team performed the audit without the involvement of a component team.

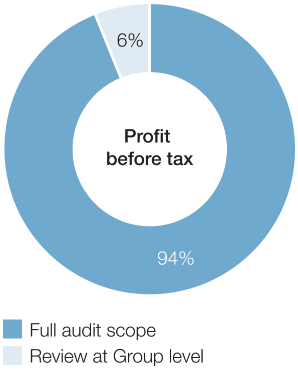
Our audit work at the five locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from $2.5 million to $2.8 million (2015: $0.4 million to $4.7 million).

As this was our first year as auditor, the Senior Statutory auditor and senior members of the Group audit team visited each component team at least once, and in some cases twice, during the year. Going forward, the Senior Statutory Auditor plans to visit the US component team at least once each year and all other locations at least once every two years. In addition to the planned programme of visits, we send detailed instructions to our component teams, include them in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Independent auditor's report to the members of Elementis plc continued





Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – 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 are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report arising from these matters.**
Corporate Governance Statement Under the Listing Rules we are also required to review part of the Corporate governance statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.	**We have nothing to report arising from our review.**

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' responsibility statement, 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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Kerr Mitchell, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 March 2017

Consolidated income statement
for the year ended 31 December 2016

	Note	2016 $million	2015 restated $million
Revenue	2	**659.5**	677.2
Cost of sales		**(420.5)**	(418.2)
Gross profit		**239.0**	259.0
Distribution costs		**(80.0)**	(85.8)
Administrative expenses		**(74.5)**	(63.1)
Profit on property disposal		**–**	17.0
Operating profit	2	**84.5**	127.1
Other expenses		**(1.4)**	(2.1)
Finance income	3	**0.1**	0.2
Finance costs	4	**(7.7)**	(4.4)
Profit before income tax		**75.5**	120.8
Tax	6	**(7.4)**	(26.2)
Profit for the year		**68.1**	94.6
Attributable to:			
Equity holders of the parent		**68.1**	94.6
Earnings per share			
Basic (cents)	9	**14.7**	20.5
Diluted (cents)	9	**14.6**	20.3

Consolidated statement of comprehensive income
for the year ended 31 December 2016

	2016 $million	2015 restated $million
Profit for the year	**68.1**	94.6
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss:		
Remeasurements of retirement benefit obligations	**(2.6)**	17.4
Deferred tax associated with retirement benefit obligations	**(0.5)**	(6.6)
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	**(16.5)**	(20.9)
Effective portion of change in fair value of net investment hedge	**(1.4)**	(0.6)
Effective portion of changes in fair value of cash flow hedges	**(0.3)**	(0.9)
Fair value of cash flow hedges transferred to income statement	**0.9**	(0.1)
Exchange differences on translation of share options reserves	**(0.7)**	–
Other comprehensive income	**(21.1)**	(11.7)
Total comprehensive income for the year	**47.0**	82.9
Attributable to:		
Equity holders of the parent	**47.0**	82.9
Total comprehensive income for the year	**47.0**	82.9

Consolidated balance sheet
as at 31 December 2016

	Note	2016 31 December $million	2015 31 December restated $million
Non-current assets			
Goodwill and other intangible assets	10	**359.9**	362.5
Property, plant and equipment	11	**217.3**	211.2
ACT recoverable	16	**23.0**	34.0
Deferred tax assets	16	**16.1**	14.2
Total non-current assets		**616.3**	621.9
Current assets			
Inventories	12	**121.3**	126.7
Trade and other receivables	13	**96.0**	92.0
Cash and cash equivalents	20	**82.6**	79.1
Total current assets		**299.9**	297.8
Total assets		**916.2**	919.7
Current liabilities			
Bank overdrafts and loans	19	**(5.0)**	(5.1)
Trade and other payables	14	**(98.9)**	(79.9)
Derivatives		**(0.4)**	(0.3)
Current tax liabilities		**(6.7)**	(0.2)
Provisions	15	**(9.5)**	(9.5)
Total current liabilities		**(120.5)**	(95.0)
Non-current liabilities			
Loans and borrowings	19	**(0.1)**	–
Retirement benefit obligations	23	**(30.1)**	(29.0)
Deferred tax liabilities	16	**(108.7)**	(113.0)
Provisions	15	**(29.7)**	(28.9)
Total non-current liabilities		**(168.6)**	(170.9)
Total liabilities		**(289.1)**	(265.9)
Net assets		**627.1**	653.8
Equity			
Share capital	17	**44.4**	44.4
Share premium		**20.9**	20.2
Other reserves	18	**75.2**	93.0
Retained earnings		**486.6**	496.2
Total equity attributable to equity holders of the parent		**627.1**	653.8
Total equity		**627.1**	653.8

The financial statements on pages 70 to 108 were approved by the Board on 1 March 2017 and signed on its behalf by:

Paul Waterman
CEO

Ralph Hewins
CFO

Consolidated statement of changes in equity
for the year ended 31 December 2016

	Share capital $million	Share premium $million	Translation reserve restated $million	Hedging reserve $million	Other reserves $million	Retained earnings restated $million	Total equity restated $million
Balance at 1 January 2015	44.4	18.7	(40.3)	(6.9)	163.6	464.6	644.1
Restatement (see note 31)	–	–	(0.2)	–	–	(3.5)	(3.7)
Balance at 1 January 2015 restated	44.4	18.7	(40.5)	(6.9)	163.6	461.1	640.4
Comprehensive income							
Profit for the year	–	–	–	–	–	94.6	94.6
Other comprehensive income							
Exchange differences	–	–	(21.5)	–	–	–	(21.5)
Fair value of cash flow hedges transferred to the income statement	–	–	–	(0.1)	–	–	(0.1)
Effective portion of changes in fair value of cash flow hedges	–	–	–	(0.9)	–	–	(0.9)
Remeasurements of retirement benefit obligations	–	–	–	–	–	17.4	17.4
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(6.6)	(6.6)
Transfer	–	–	–	–	(2.6)	2.6	–
Total other comprehensive income	–	–	(21.5)	(1.0)	(2.6)	13.4	(11.7)
Total comprehensive income	–	–	(21.5)	(1.0)	(2.6)	108.0	82.9
Transactions with owners							
Purchase of own shares	–	–	–	–	–	(0.6)	(0.6)
Issue of shares by the Company	–	1.5	–	–	(0.2)	–	1.3
Share based payments	–	–	–	–	2.1	–	2.1
Deferred tax on share based payments recognised within equity	–	–	–	–	–	(1.2)	(1.2)
Dividends paid	–	–	–	–	–	(71.1)	(71.1)
Total transactions with owners	–	1.5	–	–	1.9	(72.9)	(69.5)
Balance at 31 December 2015	44.4	20.2	(62.0)	(7.9)	162.9	496.2	653.8
Balance at 1 January 2016	**44.4**	**20.2**	**(62.0)**	**(7.9)**	**162.9**	**496.2**	**653.8**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**68.1**	**68.1**
Other comprehensive income							
Exchange differences	**–**	**–**	**(17.9)**	**–**	**(0.7)**	**–**	**(18.6)**
Fair value of cash flow hedges transferred to the income statement	**–**	**–**	**–**	**0.9**	**–**	**–**	**0.9**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**(0.3)**	**–**	**–**	**(0.3)**
Remeasurements of retirement benefit obligations	**–**	**–**	**–**	**–**	**–**	**(2.6)**	**(2.6)**
Deferred tax adjustment on pension scheme deficit	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Transfer	**–**	**–**	**–**	**–**	**(2.4)**	**2.4**	**–**
Total other comprehensive income	**–**	**–**	**(17.9)**	**0.6**	**(3.1)**	**(0.7)**	**(21.1)**
Total comprehensive income	**–**	**–**	**(17.9)**	**0.6**	**(3.1)**	**67.4**	**47.0**
Transactions with owners							
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Issue of shares by the Company	**–**	**0.7**	**–**	**–**	**–**	**–**	**0.7**
Share based payments	**–**	**–**	**–**	**–**	**2.6**	**–**	**2.6**
Deferred tax on share based payments recognised within equity	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(76.2)**	**(76.2)**
Total transactions with owners	**–**	**0.7**	**–**	**–**	**2.6**	**(77.0)**	**(73.7)**
Balance at 31 December 2016	**44.4**	**20.9**	**(79.9)**	**(7.3)**	**162.4**	**486.6**	**627.1**

Consolidated cash flow statement
for the year ended 31 December 2016

	Note	2016 $million	2015 restated $million
Operating activities:			
Profit for the year		**68.1**	94.6
Adjustments for:			
Other expenses		**1.4**	2.1
Finance income		**(0.1)**	(0.2)
Finance costs		**7.7**	4.4
Tax charge		**7.4**	26.2
Depreciation and amortisation		**28.0**	26.9
(Decrease)/increase in provisions		**(3.5)**	2.8
Pension payments net of current service cost		**(4.7)**	(22.8)
Share based payments		**2.6**	2.1
Operating cash flow before movement in working capital		**106.9**	136.1
Decrease in inventories		**1.7**	14.2
(Increase)/decrease in trade and other receivables		**(9.6)**	14.2
Increase /(decrease) in trade and other payables		**22.5**	(38.9)
Cash generated by operations		**121.5**	125.6
Income taxes paid		**(2.7)**	(12.7)
Interest paid		**(0.9)**	(1.3)
Net cash flow from operating activities		**117.9**	111.6
Investing activities:			
Interest received		**0.1**	0.2
Disposal of property, plant and equipment		**0.3**	1.6
Purchase of property, plant and equipment		**(34.0)**	(30.3)
Acquisition of intangible assets		**(1.6)**	(1.1)
Net cash flow from investing activities		**(35.2)**	(29.6)
Financing activities:			
Issue of shares by the Company and the ESOT		**0.7**	1.4
Dividends paid		**(76.2)**	(71.1)
Purchase of shares by the ESOT		**(0.9)**	(0.6)
Decrease in borrowings		**–**	(3.9)
Net cash used in financing activities		**(76.4)**	(74.2)
Net increase in cash and cash equivalents		**6.3**	7.8
Cash and cash equivalents at 1 January		**79.1**	73.7
Foreign exchange on cash and cash equivalents		**(2.8)**	(2.4)
Cash and cash equivalents at 31 December	20	**82.6**	79.1

Notes to the Consolidated financial statements
for the year ended 31 December 2016

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 FRS 101. These are presented on pages 109 to 114.

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 60.

Reporting currency
As a consequence of the majority of the Group's sales and earnings originating in US dollars or US dollar linked currencies, the Group has chosen the US dollar as its reporting currency. This aligns the Group's external reporting with the profile of the Group, as well as with internal management reporting.

Critical accounting judgements and key sources of estimation uncertainty
When applying the Group's accounting policies, management must make a number of key judgements on the application of applicable accounting standards and estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and judgements are based on factors considered to be relevant, including historical experience, which may differ significantly from the actual outcome. The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognised in the financial statements are discussed below. The development of the estimates and disclosures related to each of these matters has been discussed by the Audit Committee.

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

a. Revenue recognition

In making its judgement, the Directors have considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Group had transferred the significant risks and rewards of ownership of the goods. Following further assessment of the terms of shipment, the Directors have concluded that international shipments should not be recognised within revenue until they reach the destination port, as they believe that this more accurately reflects the commercial substance of the transaction. Due to this change in the accounting policy, the prior year comparatives have been restated to provide comparable information. More information on this restatement of the comparative balances is given in note 31.

b. Recognition of a defined benefit pension asset

In accordance with IAS 19, for any pension plan in surplus, the amount recognised as an asset is limited to an asset ceiling, being the present value of any potential refund or a reduction in future contributions. Following the guidance in IFRIC 14, the Group has assessed the nature of the minimum funding requirement of the UK scheme alongside the unconditional right to a refund of any surplus under any winding up of the plan and concluded it is appropriate to recognise the full value of any pension surplus.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a. Provisions

A provision is recognised in the balance sheet when the 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, particularly when considering the size and timing of remediation spending, and more difficult to estimate when they relate to sites no longer directly controlled by the Group.

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. Following the introduction of the revised IAS19 Employee Benefits standard, the net interest on the defined benefit liability consists of the interest cost on the defined benefit obligation and the interest income on plan assets, both calculated by reference to the discount rate used to measure the defined benefit obligation at the start of the period.

The Group recognises 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 Group's pension scheme assets and liabilities, relatively small changes in the assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability recorded in the balance sheet.

c. Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. 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. In 2014, an asset of $42.0 million was recognised relating to UK advance corporation credits which had previously been unrecognised because of uncertainty over the availability of UK taxable profits and hence a tax liability against which to utilise the credits. During 2014 the Group transferred some profitable product manufacturing to the UK from overseas, restructured the financing of an overseas subsidiary and gained greater certainty on future UK pension contributions, all of which led to a reasonable expectation that UK taxable profits would arise in the future and therefore that the tax credits should be recognised. 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.

d. Impairment of goodwill and other indefinite lived intangible assets

Each year the Group carries out impairment tests of its goodwill and other indefinite lived intangible assets which requires estimates to be made of the value in use of its cash-generating units (CGUs). These value in use calculations are dependent on estimates of future cash flows and long-term growth rates of the CGUs. Further details of these estimates are given in note 10.

Basis of consolidation

The Consolidated financial statements include the financial statements of the Company and its subsidiaries for the year. IFRS 10 Consolidated financial statements introduces new principles for control which focuses on whether the Group is exposed to, or has rights to, variable returns from its involvement with entities and has the ability to affect those returns through its power over those entities. The Group's consolidation scope and the accounting treatment of its investments in other entities was unaffected by the adoption of IFRS 10.

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.

1. Accounting policies (continued)

The Group adopted IFRS 3 (revised) Business Combinations for business combinations where the acquisition date was 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. Acquisition costs are accounted for as an expense in the period incurred. For acquisitions that were made by the Group between 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 acquired. 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 losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 may hedge a portion of the translation 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.

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.

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, 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
Fixtures, fittings and equipment	2 – 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 on the result for the year.

Intangible assets

a. 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.

b. Research and development

Expenditure on pure research is recognised in the income statement as an expense as incurred. Under IAS 38, 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 will give rise to future economic benefits and where the cost of the capitalised asset can be measured reliably. Expenditure capitalised is stated as the cost of materials, direct labour and an appropriate proportion of overheads less accumulated amortisation. The length of development lifecycles, broad nature of much of the research undertaken and uncertainty until a late stage as to ultimate commercial viability of a potential product can mean that the measurement criteria of IAS 38 regarding the probability of future economic benefits and the reliability of allocating costs may not be met, in which case expenditure is expensed as incurred.

c. Other intangible assets

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

d. 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, comprising customer lists, trademarks, patents and non-compete clauses, are amortised over their estimated useful lives which range from 5-10 years.

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.

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.

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.

1. Accounting policies (continued)

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.

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 geographic 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.

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 by the Company are classified as treasury shares and are presented as a deduction from total equity.

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.

a. 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.

b. 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).

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.

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 that the significant risks and rewards of ownership have been transferred to the customer and where the collectability of revenue is reasonably assured. This may occur, depending on the individual customer relationship, when the product has been transferred to a freight carrier, when the customer has received the product or, for consignment stock held at customers' premises, when usage reports for the relevant period have been compiled. Where goods are shipped but the Group continues to bear insurance risk until they reach their destination, revenue is only recognised when the goods reach their destination.

Other expenses
Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses.

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 in the income statement using the effective interest method.

Share based payments
The fair value of equity settled share options, cash settled shadow options and LTIP awards 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/awards. The fair value of the options/awards granted is measured using a binomial model, taking into account the terms and conditions upon which the options/awards were granted. The amount recognised as an employee expense is adjusted to reflect the actual number of share options/awards 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 ESOT's purchases of shares in the Company are charged directly to equity.

Non-statutory performance measures
In the analysis of the Group's operating results, earnings per share and cash flows, information is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are unusual and other items relevant to an understanding of the Group's performance and long term trends with reference to their materiality and nature. This additional information is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure. Information for separate presentation is considered as follows:

- Material costs or reversals arising from a significant restructuring of the Group's operations are presented separately.
- Disposal of entities or investments in associates or joint ventures or impairment of related assets are presented separately.
- Other matters arising due to the Group's acquisition, such as adjustments to contingent consideration, payment of retention bonuses, acquisition costs and fair value adjustments for acquired assets made in accordance with IFRS 13 are separately disclosed in aggregate.
- If a change in an accounting estimate for provisions, including environmental provisions, results in a material gain or loss, that is presented separately.
- Other items the directors may deem to be unusual as a result of their size and/or nature.

Adoption of new and revised standards
In the current year, the Group has applied a number of amendments to IFRSs issued that are mandatorily effective for accounting periods that begin on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IFRS 10, 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

1. Accounting policies (continued)
– Amendments to IAS 1 Disclosure Initiative

– Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

– Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

– Amendments to IAS 27 Equity Method in Separate Financial Statements

– Annual Improvements to IFRSs 2012-2014 Cycle.

New and revised IFRSs in issue but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, had not yet been adopted by the EU:

– IFRS 9 Financial Instruments

– IFRS 15 Revenue from Contracts with Customers

– IFRS 16 Leases

– IFRS 2 (amendments) Classification and Measurement of Share-Based Payment Transactions

– IAS 7 (amendments) Disclosure Initiative

– IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses

– IFRS 10 and IAS 28 (amendments) Sale of Contribution of Assets between an Investor and its Associate or Joint Venture

– IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

– IFRIC 22 Foreign Currency Transactions and Advance Consideration

– IAS 40 (amendments) Transfers of Investment Property

– Annual Improvements to IFRSs: 2014-16 Cycle.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

– IFRS 9 will impact both the measurement and disclosures of financial instruments;

– IFRS 15 may have an impact on revenue recognition and related disclosures. The Group is currently assessing the impact of the new standard on its financial statements; and

– IFRS 16 will have a material impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of effect of these standards until a detailed review has been completed.

2. Operating segments
Business 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. In accordance with the provisions of IFRS 8, the Group's chief operating decision maker is the Board of Directors. 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 with Specialty Products, separate management structures. 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 and other specialty additives, compounded products and colourants.

Surfactants:
– Production of surface active ingredients.

Chromium:
– Production of chromium chemicals.

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 below as central costs.

Segmental analysis for the year ended 31 December 2016

	Specialty Products $million (2016)	Surfactants $million (2016)	Chromium $million (2016)	Segment totals $million (2016)	Central costs $million (2016)	Total $million (2016)
Revenue	460.4	43.1	168.8	672.3	–	672.3
Internal revenue	–	(0.2)	(12.6)	(12.8)	–	(12.8)
Revenue from external customers	460.4	42.9	156.2	659.5	–	659.5
Operating profit before allocations	79.7	(0.6)	24.5	103.6	(19.1)	84.5
Head office cost allocations	(2.2)	(0.3)	(0.9)	(3.4)	3.4	–
Profit/(loss) before interest	77.5	(0.9)	23.6	100.2	(15.7)	84.5
Other expenses	–	–	–	–	(1.4)	(1.4)
Finance income	–	–	–	–	0.1	0.1
Finance expense	–	–	–	–	(7.7)	(7.7)
Taxation – after adjusting items	–	–	–	–	(11.1)	(11.1)
Taxation – on adjusting items	–	–	–	–	3.7	3.7
Profit for the period	77.5	(0.9)	23.6	100.2	(32.1)	68.1
Fixed assets	495.5	21.8	72.9	590.2	(13.0)	577.2
Inventories	78.4	3.6	39.3	121.3	–	121.3
Trade and other receivables	62.4	6.9	24.9	94.2	1.8	96.0
ACT recoverable	–	–	–	–	23.0	23.0
Deferred tax assets	–	–	–	–	16.1	16.1
Cash and cash equivalents	–	–	–	–	82.6	82.6
Segment assets	636.3	32.3	137.1	805.7	110.5	916.2
Trade and other payables	(60.8)	(7.9)	(22.8)	(91.5)	(7.4)	(98.9)
Operating provisions	(3.4)	(2.3)	(17.9)	(23.6)	(15.6)	(39.2)
Bank overdrafts and loans	–	–	–	–	(5.1)	(5.1)
Derivatives	–	–	–	–	(0.4)	(0.4)
Current tax liabilities	–	–	–	–	(6.7)	(6.7)
Retirement benefit obligations	–	–	–	–	(30.1)	(30.1)
Deferred tax liabilities	–	–	–	–	(108.7)	(108.7)
Segment liabilities	(64.2)	(10.2)	(40.7)	(115.1)	(174.0)	(289.1)
Net assets	572.1	22.1	96.4	690.6	(63.5)	627.1
Capital additions	21.4	3.2	11.6	36.2	1.6	37.8
Depreciation and amortisation	(16.8)	(1.7)	(8.5)	(27.0)	(1.0)	(28.0)

Information by geographic area	North America $million	United Kingdom $million	Rest of Europe $million	Rest of the World $million	Total $million
Revenue from external customers	223.8	20.5	167.8	247.4	659.5
Non-current assets	445.4	33.4	40.7	57.7	577.2
Capital additions	23.4	1.1	8.9	4.4	37.8
Depreciation and amortisation	(20.0)	(1.2)	(2.6)	(4.2)	(28.0)

2. Operating segments (continued)

Segmental analysis for the year ended 31 December 2015

	2015					
	Specialty Products restated $million	Surfactants $million	Chromium restated $million	Segment totals restated $million	Central costs restated $million	Total restated $million
Revenue	453.2	53.8	181.1	688.1	–	688.1
Internal revenue	(0.1)	–	(10.8)	(10.9)	–	(10.9)
Revenue from external customers	453.1	53.8	170.3	677.2	–	677.2
Operating profit before allocations	79.7	3.6	60.9	144.2	(17.1)	127.1
Head office cost allocations	(2.2)	(0.3)	(0.9)	(3.4)	3.4	–
Profit/(loss) before interest	77.5	3.3	60.0	140.8	(13.7)	127.1
Other expenses	–	–	–	–	(2.1)	(2.1)
Finance income	–	–	–	–	0.2	0.2
Finance expense	–	–	–	–	(4.4)	(4.4)
Taxation – after adjusting items	–	–	–	–	(19.0)	(19.0)
Taxation – on adjusting items	–	–	–	–	(7.2)	(7.2)
Profit for the period	77.5	3.3	60.0	140.8	(46.2)	94.6
Fixed assets	494.0	20.8	70.1	584.9	(11.2)	573.7
Inventories	76.4	4.6	45.6	126.6	0.1	126.7
Trade and other receivables	55.1	7.6	27.1	89.8	2.2	92.0
ACT recoverable	–	–	–	–	34.0	34.0
Deferred tax assets	–	–	–	–	14.2	14.2
Cash and cash equivalents	–	–	–	–	79.1	79.1
Segment assets	625.5	33.0	142.8	801.3	118.4	919.7
Trade and other payables	(47.2)	(9.8)	(17.1)	(74.1)	(5.8)	(79.9)
Operating provisions	(2.4)	(2.6)	(19.0)	(24.0)	(14.4)	(38.4)
Bank overdrafts and loans	–	–	–	–	(5.1)	(5.1)
Derivatives	–	–	–	–	(0.3)	(0.3)
Current tax liabilities	–	–	–	–	(0.2)	(0.2)
Retirement benefit obligations	–	–	–	–	(29.0)	(29.0)
Deferred tax liabilities	–	–	–	–	(113.0)	(113.0)
Segment liabilities	(49.6)	(12.4)	(36.1)	(98.1)	(167.8)	(265.9)
Net assets	575.9	20.6	106.7	703.2	(49.4)	653.8
Capital additions	16.1	4.6	10.5	31.2	0.2	31.4
Depreciation and amortisation	(16.2)	(1.8)	(7.9)	(25.9)	(1.0)	(26.9)

Information by geographic area	North America $million	United Kingdom $million	Rest of Europe $million	Rest of the World $million	Total $million
Revenue from external customers	230.1	31.3	161.3	254.5	677.2
Non-current assets	442.3	40.0	35.6	55.8	573.7
Capital additions	20.6	1.4	6.7	2.7	31.4
Depreciation and amortisation	(18.6)	(1.3)	(2.8)	(4.2)	(26.9)

3. Finance income

	2016 $million	2015 $million
Interest on bank deposits	**0.1**	0.2

4. Finance costs

	2016 $million	2015 $million
Interest on bank loans	**0.8**	1.2
Pension and other post retirement liabilities	**1.0**	1.8
Increase in environmental provisions due to change in discount rate (see note 5)	**4.5**	–
Unwind of discount on provisions	**1.4**	1.4
	7.7	4.4

5. Adjusting items and Alternative Performance Measures

	2016 $million	2015 $million
Land sale	**–**	(17.0)
Restructuring	**3.0**	4.2
Business review	**2.4**	–
Environmental provisions		
Increase in provisions due to additional remediation work identified	**3.5**	–
Increase in provisions due to change in discount rate	**4.5**	–
Acquisition costs	**0.8**	
Other	**–**	7.2
	14.2	(5.6)
Tax (credit)/charge in relation to adjusting items	**(3.7)**	2.5
Recognition of reduced tax assets	**–**	4.7
	10.5	1.6
Cash flows relating to adjusting items	**(5.1)**	(7.7)

A number of items have been recorded under 'adjusting items' in 2016 by virtue of their size and/or one time nature, in order to provide a better understanding of the Group's results. The net impact of these items on the Group profit before tax for the year is an increase of $14.2 million (2015: decrease of $5.6 million).

Restructuring
Following the appointment of a new Chief Executive Officer, the Group has reorganised the management structure and various parts of the business. Costs of this exercise including redundancy costs, as well as recruitment and other costs associated with changes in the management structure, was $3.0 million.

Business review
In the first half of 2016 a business review was undertaken with external assistance to support development of the long term strategy for Elementis. The one time cost of this exercise was $2.4 million.

Environmental provisions
The Group's environmental provisions is calculated on a discounted basis, reflecting the time period over which spending is estimated to take place. Following discussions with our external environmental advisers the Group has concluded that it would be appropriate to reduce the discount rate being used to value liabilities resulting in a charge of $4.5 million. We continue to fund the remediation work on the legacy Chromium site at Eaglescliffe that was closed in 2009. The work programme is determined in part through consultation with the local regulatory authorities and a re-assessment in the year of the outstanding tasks and their timeframe has resulted in a charge of $3.5 million.

Acquisition costs
On 10 February 2017 the Group announced its intention to acquire SummitReheis. During 2016 transaction related costs of $0.8 million were incurred in connection with this acquisition. Further costs will be expensed in 2017.

5. Adjusting items and Alternative Performance Measures (continued)

To support comparability with the financial statements as presented in 2015, the reconciliation to the adjusted consolidated income statement is shown below

	2016 Profit and loss $million	Adjusting items $million	2016 After Adjusting items $million	2015 Profit and loss restated $million	Adjusting items $million	2015 After adjusting items restated $million
Revenue	659.5	–	659.5	677.2	–	677.2
Cost of sales	(420.5)	–	(420.5)	(418.2)	–	(418.2)
Gross profit	239.0	–	239.0	259.0	–	259.0
Distribution costs	(80.0)	–	(80.0)	(85.8)	–	(85.8)
Administrative expenses	(74.5)	9.7	(64.8)	(63.1)	11.4	(51.7)
Profit on property disposal	–	–	–	17.0	(17.0)	–
Operating profit	84.5	9.7	94.2	127.1	(5.6)	121.5
Other expenses	(1.4)	–	(1.4)	(2.1)	–	(2.1)
Finance income	0.1	–	0.1	0.2	–	0.2
Finance costs	(7.7)	4.5	(3.2)	(4.4)	–	(4.4)
Profit before income tax	75.5	14.2	89.7	120.8	(5.6)	115.2
Tax	(7.4)	(3.7)	(11.1)	(26.2)	7.2	(19.0)
Profit for the year	68.1	10.5	78.6	94.6	1.6	96.2
Attributable to:						
Equity holders of the parent	68.1	10.5	78.6	94.6	1.6	96.2
Earnings per share						
Basic (cents)	14.7	2.3	17.0	20.5	0.3	20.8
Diluted (cents)	14.6	2.2	16.8	20.3	0.3	20.6

To support comparability with the financial statements as presented in 2015, a reconciliation from reported profit/(loss) before interest to adjusted profit before income tax by segment is shown below for each year.

	2016					
	Specialty Products $million	Surfactants $million	Chromium $million	Segment totals $million	Central costs $million	Total $million
Reported profit/(loss) before interest	77.5	(0.9)	23.6	100.2	(15.7)	84.5
Adjusting Items						
Restructuring	1.3	0.3	–	1.6	1.4	3.0
Business review	–	–	–	–	2.4	2.4
Increase in environmental provisions due to additional remedial work identified	–	–	3.5	3.5	–	3.5
Acquisition costs	–	–	–	–	0.8	0.8
Adjusted profit /(loss) before interest	78.8	(0.6)	27.1	105.3	(11.1)	94.2
Other expenses	–	–	–	–	(1.4)	(1.4)
Finance income	–	–	–	–	0.1	0.1
Finance costs					(7.7)	(7.7)
Adjusting items						
Finance costs	–	–	–	–	4.5	4.5
Adjusted profit before income tax	78.8	(0.6)	27.1	105.3	(15.6)	89.7

	2015					
	Specialty Products restated $million	Surfactants $million	Chromium restated $million	Segment totals restated $million	Central costs $million	Total restated $million
Reported profit/(loss) before interest	77.5	3.3	60.0	140.8	(13.7)	127.1
Adjusting Items						
Land sale	–	–	(17.0)	(17.0)	–	(17.0)
Restructuring	2.1	0.5	0.7	3.3	0.9	4.2
Other	0.3	0.7	4.3	5.3	1.9	7.2
Adjusted profit/(loss) before interest	79.9	4.5	48.0	132.4	(10.9)	121.5
Other expenses	–	–	–	–	(2.1)	(2.1)
Finance income	–	–	–	–	0.2	0.2
Finance costs	–	–	–	–	(4.4)	(4.4)
Adjusted profit before income tax	79.9	4.5	48.0	132.4	(17.2)	115.2

A reconciliation from reported profit for the year to EBITDA is provided to support understanding of the summarised cash flow included within the Finance report on page 14.

	2016 $million	2015 restated $million
Profit for the year	**68.1**	94.6
Adjustments for		
Finance income	**(0.1)**	(0.2)
Finance costs and other expenses after adjusting items	**4.6**	6.5
Tax charge	**7.4**	26.2
Depreciation and amortisation	**28.0**	26.9
Adjusting items	**14.2**	(5.6)
EBITDA	**122.2**	148.4

6. Income tax expense

	2016 $million	2015 restated $million
Current tax:		
Recognition of UK Advance Corporation Tax credits	–	–
UK corporation tax	6.6	5.2
Overseas corporation tax	9.9	8.8
Adjustments in respect of prior years:		
United Kingdom	–	1.3
Overseas	(1.1)	(2.9)
Total current tax	15.4	12.4
Deferred tax:		
United Kingdom	0.2	2.4
Overseas	(8.4)	8.0
Adjustment in respect of prior years:		
United Kingdom	–	3.4
Overseas	0.2	–
Total deferred tax	(8.0)	13.8
Income tax expense for the year	7.4	26.2
Comprising:		
Adjusting items*		
Overseas taxation on adjusting items	1.9	(2.5)
UK taxation on adjusting items	1.8	–
Recognition of UK ACT and losses	–	–
UK ACT and deferred tax charge	–	(4.7)
Taxation on adjusting items	3.7	(7.2)
Income tax expense for the year after adjusting items	11.1	19.0

* see note 5 for details of adjusting items

The tax charge on profits represents an effective rate after adjusting items for the year ended 31 December 2016 of 12.4 per cent (2015: 16.5 per cent). The Group is international. It has operations in several jurisdictions and benefits from cross border financing arrangements. Accordingly, tax charges of the Group in future periods will be affected by the profitability of operations in different jurisdictions, changes to tax rates and regulations in the jurisdictions within which the Group has operations, as well as the ongoing impact of the Group's funding arrangements.

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

	2016 $million	2016 per cent	2015 restated $million	2015 restated per cent
Profit before tax	75.5		120.8	
Tax on ordinary activities at 20 per cent (2015: 20.25 per cent)*	15.1	20.0	24.5	20.3
Difference in overseas effective tax rates	(2.7)	(3.6)	4.9	4.1
Income not taxable and impact of tax efficient financing	(4.6)	(6.0)	(5.0)	(4.1)
Expenses not deductible for tax purposes	0.5	0.6	0.4	0.3
Adjustments in respect of prior years	(0.9)	(1.2)	(3.3)	(2.7)
Recognition of adjusting tax items	–	–	4.7	3.9
Tax charge and effective tax rate for the year	7.4	9.8	26.2	21.7

* the UK corporation tax rate will reduce to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020; these reductions were substantively enacted on 26 October 2015.

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

	2016 $million	2015 restated $million
Employee costs	**106.0**	103.3
Net foreign exchange losses/(gains)	**5.2**	(3.5)
Research and development costs	**7.9**	7.8
Depreciation of property, plant and equipment	**24.6**	23.6
Amortisation of intangible assets	**3.4**	3.3
Total depreciation and amortisation expense	**28.0**	26.9
Cost of inventories recognised as expense	**312.1**	323.1
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	**0.5**	0.6
Audit related assurance services	**0.2**	0.1
Tax compliance services	**–**	0.3
Other tax advisory services	**0.1**	0.4

8. Employees

	2016 $million	2015 $million
Employee costs:		
Wages and salaries	**94.0**	90.8
Social security costs	**7.1**	7.4
Pension costs	**4.9**	5.1
	106.0	103.3

	Number	Number
Average number of FTE employees*:		
Specialty Products	**980**	999
Surfactants	**153**	149
Chromium	**247**	259
Central	**15**	14
Total	**1,395**	1,421

* full time equivalent including contractors

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:

	2016 $million	2015 restated $million
Earnings:		
Earnings for the purpose of basic earnings per share	68.1	94.6
Adjusting items net of tax	10.5	1.6
Adjusted earnings	78.6	96.2

	2016 million	2015 million
Number of shares:		
Weighted average number of shares for the purposes of basic earnings per share	462.8	462.2
Effect of dilutive share options	3.9	4.0
Weighted average number of shares for the purposes of diluted earnings per share	466.7	466.2

	2016 cents	2015 restated cents
Earnings per share:		
Basic	14.7	20.5
Diluted	14.6	20.3
Basic after adjusting items	17.0	20.8
Diluted after adjusting items	16.8	20.6

10. Goodwill and other intangible assets

	Goodwill $million	Brand $million	Other intangible assets $million	Total $million
Cost:				
At 1 January 2015	331.0	23.1	35.2	389.3
Exchange differences	(6.3)	(1.0)	(1.0)	(8.3)
Additions	–	–	1.1	1.1
At 31 December 2015	324.7	22.1	35.3	382.1
Exchange differences	(3.5)	0.5	–	(3.0)
Additions	–	–	3.8	3.8
At 31 December 2016	**321.2**	**22.6**	**39.1**	**382.9**
Amortisation:				
At 1 January 2015	–	–	16.3	16.3
Charge for the year	–	–	3.3	3.3
At 31 December 2015	–	–	19.6	19.6
Charge for the year	–	–	3.4	3.4
At 31 December 2016	**–**	**–**	**23.0**	**23.0**
Carrying amount:				
At 31 December 2016	**321.2**	**22.6**	**16.1**	**359.9**
At 31 December 2015	324.7	22.1	15.7	362.5
At 1 January 2015	331.0	23.1	18.9	373.0

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 ($318.5 million) and Elementis Surfactants ($2.7 million). There is no goodwill associated with Elementis Chromium.

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. In order to stress test the results over a wider range of conditions, management has expanded its testing to include discount rates based on a variety of equity risk premiums and different capital structures that reflect the potential variability of risk within the CGUs. In this exercise a range of discount rates from 11.3 per cent to 12.3 per cent (2015: 8.0 per cent to 14.0 per cent) was used.

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 estimated growth rates of 2.5 per cent. The rates do not exceed the average long term growth rate for the relevant markets and also take into account potential, future capacity limitations for the Chromium business. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The results of the impairment testing using the assumptions discussed show that there is no indication that goodwill might be impaired.

The brand intangibles represent the value ascribed to the trading name and reputation of the Deuchem, Fancor, Watercryl and Hi-Mar 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. Brand intangibles are tested annually for impairment using similar assumptions to the goodwill testing. The remaining intangible assets comprise the value ascribed to customer lists, patents and non-compete clauses, which are being amortised over periods of five to ten years.

11. Property, plant and equipment

	Land and buildings $million	Plant and machinery $million	Fixtures fittings and equipment $million	Under construction $million	Total $million
Cost:					
At 1 January 2015	151.1	537.3	49.0	32.2	769.6
Additions	0.2	0.8	0.1	29.2	30.3
Exchange differences	(6.3)	(22.5)	(1.5)	(0.8)	(31.1)
Disposals	(1.0)	(3.5)	(1.4)	–	(5.9)
Reclassifications	7.5	35.3	1.3	(44.1)	–
At 31 December 2015	151.5	547.4	47.5	16.5	762.9
Additions	–	1.2	–	32.8	34.0
Exchange differences	(5.9)	(32.9)	(0.3)	(0.3)	(39.4)
Disposals	(0.9)	(3.7)	(0.7)	(0.2)	(5.5)
Reclassifications	(9.8)	(31.2)	2.8	(30.2)	(68.4)
At 31 December 2016	**134.9**	**480.8**	**49.3**	**18.6**	**683.6**
Accumulated depreciation:					
At 1 January 2015	99.3	420.9	37.7	–	557.9
Charge for the year	3.3	18.6	1.7	–	23.6
Exchange differences	(4.1)	(20.1)	(1.1)	–	(25.3)
Disposals	(0.1)	(3.0)	(1.4)	–	(4.5)
Reclassifications	0.2	(0.3)	0.1	–	–
At 31 December 2015	98.6	416.1	37.0	–	551.7
Charge for the year	3.4	19.7	1.5	–	24.6
Exchange differences	(5.6)	(31.3)	(0.4)	–	(37.3)
Disposals	(0.1)	(3.6)	(0.6)	–	(4.3)
Reclassifications	(12.0)	(56.5)	0.1	–	(68.4)
At 31 December 2016	**84.3**	**344.4**	**37.6**	**–**	**466.3**
Net book value:					
At 31 December 2016	**50.6**	**136.4**	**11.7**	**18.6**	**217.3**
At 31 December 2015	52.9	131.3	10.5	16.5	211.2
At 1 January 2015	51.8	116.4	11.3	32.2	211.7

Group capital expenditure contracted but not provided for in these financial statements amounted to $nil (2015: $nil).

12. Inventories

	2016 $million	2015 restated $million
Raw materials and consumables	**42.2**	47.8
Work in progress	**8.9**	11.5
Finished goods and goods purchased for resale	**70.2**	67.4
	121.3	126.7

Inventories are disclosed net of provisions for obsolescence of $4.8 million (2015: $5.1 million).

13. Trade and other receivables

	2016 $million	2015 restated $million
Trade receivables	**88.7**	84.5
Other receivables	**3.3**	2.2
Prepayments and accrued income	**4.0**	5.3
	96.0	92.0

14. Trade and other payables

	2016 $million	2015 $million
Trade payables	**52.7**	51.1
Other taxes and social security	**1.0**	0.5
Other payables	**10.1**	8.0
Accruals and deferred income	**35.1**	20.3
	98.9	79.9

15. Provisions

	Environmental $million	Self insurance $million	Restructuring $million	Other $million	Total $million
At 1 January 2016	29.5	3.1	1.3	4.5	38.4
Charged/(credited) to the income statement:					
Increase in provisions due to change in discount rate	4.5	–	–	–	4.5
Set up/(release) of provisions	3.5	(0.3)	1.7	–	4.9
Unwinding of discount	1.4	–	–	–	1.4
Utilised during the year	(6.1)	(0.2)	(1.7)	(0.5)	(8.5)
Currency translation differences	(1.4)	(0.1)	–	–	(1.5)
At 31 December 2016	**31.4**	**2.5**	**1.3**	**4.0**	**39.2**
Due within one year	6.5	0.2	1.3	1.5	9.5
Due after one year	24.9	2.3	–	2.5	29.7

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. Included within environmental provisions are amounts in respect of all anticipated costs related to the closure and remediation of the Chromium UK site at Eaglescliffe.

Of the $9.4 million charged to provisions, $4.5 million relates to the reduction of the discount rate used to calculate the environmental provision and $3.5 million relates to additional remediation work identified at Eaglescliffe. Further details on these charges are included within Adjusting items (note 5).

Self-insurance provisions at 31 December 2016 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.

Notes to the Consolidated financial statements
for the year ended 31 December 2016 continued

16. Deferred tax and ACT recoverable

	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 2015	20.9	(23.6)	(94.4)	11.5	7.3	(78.3)
(Charge)/credit to the income statement	(4.1)	0.7	–	(3.2)	(7.2)	(13.8)
Charge to other comprehensive income	(6.6)	–	–	–	–	(6.6)
Charge to retained earnings	–	–	–	(1.2)	–	(1.2)
Currency translation differences	(0.3)	–	–	1.5	(0.1)	1.1
At 1 January 2016	9.9	(22.9)	(94.4)	8.6	–	(98.8)
(Charge)/credit to the income statement	0.2	(6.5)	(0.1)	6.8	7.6	8.0
Charge to other comprehensive income	(0.5)	–	–	–	–	(0.5)
Charge to retained earnings	–	–	–	(0.4)	–	(0.4)
Currency translation differences	0.6	–	–	(1.5)	–	(0.9)
At 31 December 2016	**10.2**	**(29.4)**	**(94.5)**	**13.5**	**7.6**	**(92.6)**
Deferred tax assets	**10.9**	**0.3**	**–**	**4.9**	**–**	**16.1**
Deferred tax liabilities	**(0.7)**	**(29.7)**	**(94.5)**	**8.6**	**7.6**	**(108.7)**

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. There are no significant temporary differences arising in connection with interests in subsidiaries and associates.

Deferred tax liabilities are reduced for any deferred tax assets which exist within a jurisdiction where consolidated tax returns are filed and where tax assets and liabilities may be netted.

An asset of $42.0 million was recognised in 2014 relating to UK advance corporation tax credits which had previously been unrecognised because of uncertainty over future UK taxable profits. During 2014 the Group made certain changes to its manufacturing and financing structures, which together with greater certainty over the funding of the UK pension deficit, led to the view that UK taxable profits would increase and therefore that the tax credits should be recognised. Movements in the ACT recoverable balance are shown below.

	2016 $million	2015 $million
At 1 January	**34.0**	42.0
Recognition of UK Advance Corporation Tax credits	**2.7**	(1.3)
Utilisation	**(8.3)**	(4.3)
Currency translation differences	**(5.4)**	(2.4)
At 31 December	**23.0**	34.0

17. Share capital

	2016 $million	2015 $million
At 1 January	**44.4**	44.4
Issue of shares	**–**	–
At 31 December	**44.4**	44.4

Details of share capital are set out in note 10 to the Parent company financial statements.

18. Other reserves

	Capital redemption reserve $million	Translation reserve $million	Hedging reserve $million	Share options reserve $million	Total $million
Balance at 1 January 2015	158.8	(40.3)	(6.9)	4.8	116.4
Restatement (see note 31)	–	(0.2)	–	–	(0.2)
Balance at 1 January 2015 (restated)	158.8	(40.5)	(6.9)	4.8	116.2
Share based payments	–	–	–	1.9	1.9
Exchange differences	–	(21.5)	–	–	(21.5)
Decrease in fair value of derivatives	–	–	(1.0)	–	(1.0)
Transfer	–	–	–	(2.6)	(2.6)
At 1 January 2016	158.8	(62.0)	(7.9)	4.1	93.0
Share based payments	–	–	–	2.6	2.6
Exchange differences	–	(17.9)	–	(0.7)	(18.6)
Increase in fair value of derivatives	–	–	0.6	–	0.6
Transfer	–	–	–	(2.4)	(2.4)
Balance at 31 December 2016	**158.8**	**(79.9)**	**(7.3)**	**3.6**	**75.2**

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.

19. Borrowings

	2016 $million	2015 $million
Bank loans	**5.1**	5.1
The borrowings are repayable as follows:		
Within one year	**5.0**	5.1
In the second year	**0.1**	–
	5.1	5.1

The weighted average interest rates paid were as follows:

	2016 %	2015 %
Bank loans	**1.2**	1.2

Group borrowings were denominated as follows:

	US dollar	Taiwan dollar	Brazilian real	Other	Total
Bank loans					
31 December 2015	1.7	3.3	–	0.1	5.1
31 December 2016	**2.0**	**2.9**	**0.1**	**0.1**	**5.1**

Of the US dollar borrowings, $nil million was unsecured (2015: $0.4 million), bearing interest at the relevant interbank rates plus a margin. The Taiwan dollar and remaining US dollar borrowings consisted of those secured by time deposits and those secured by charges over various land and buildings in Taiwan.

20. Cash and cash equivalents

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

	2016 $million	2015 $million
Cash and cash equivalents	**82.6**	79.1

21. 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.

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 represent 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 through a treasury policy that imposes graduated limits on the amount of funds that can be deposited with counterparties by reference to the counterparties' credit ratings, as defined by Standard & Poor's or Moody's. 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 $113.4 million (2015: $115.1 million) of undrawn committed facilities, of which $100.0 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, that 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 US dollar and the euro. The Group hedges up to 100 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 a 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. In respect of the US schemes, 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, without excessive risk taking, in order to meet partially the Group's unfunded benefit obligations; management is assisted by external advisors in this regard. In respect of the UK scheme, the investment strategy is set by the trustees and the Board is kept informed.

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 monitors the return on operating capital employed ('ROCE') both including and excluding goodwill, as defined on page 16. The Group's target is to achieve a ROCE (including goodwill) in excess of our weighted average cost of capital.

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 (2015: 0.4 per cent) of ordinary shares, or 1.8 per cent (2015: 1.8 per cent) assuming that all outstanding options vest or are exercised.

Current dividend policy is to pay a progressive dividend of approximately one third of earnings per share after adjusting items. Additionally if the Group finishes the year in a net balance sheet cash position, and there are no immediate investment plans for that cash, the Group may recommend an additional special dividend of up to 50 per cent of the net cash amount. These dividend policies remain under review to ensure that they remain appropriate to the circumstances and strategy of the Group.

	2016 $million	2015 $million
Recognised in profit or loss		
Interest income on bank deposits	**0.1**	0.2
Net change in fair value of cash flow hedges transferred from equity	**–**	2.6
Financial income	**0.1**	2.8
Interest on bank loan	**(0.8)**	(1.2)
Net pension interest	**(1.0)**	(1.8)
Net change in fair value of cash flow hedges transferred from equity	**(5.0)**	–
Financial costs	**(6.8)**	(3.0)
Net financial costs	**(6.7)**	(0.2)

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

	2016 $million	2015 $million
Recognised directly in equity		
Effective portion of changes in fair value of cash flow hedge	(0.3)	(0.9)
Fair value of cash flow hedges transferred to income statement	0.9	(0.1)
Effective portion of change in fair value of net investment hedge	(1.4)	(0.6)
Foreign currency translation differences for foreign operations	(16.5)	(20.9)
Recognised in		
Hedging reserve	0.6	(1.0)
Translation reserve	**(17.9)**	(21.5)

Derivatives used for hedging included within current assets amounted to $nil at 31 December 2016 (2015: $nil) and $0.4 million within current liabilities (2015: $0.3 million).

21. Financial risk management (continued)

Loans and borrowings

	2016 $million	2015 $million
Current liabilities		
Unsecured bank loan	–	0.4
Secured bank loan	5.1	4.7
Non-current liabilities		
Secured bank loan	–	–

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Year of maturity	2016 Face value $million	2016 Carrying amount $million	2015 Face value $million	2015 Carrying amount $million
Unsecured bank loan	USD	2016	–	–	0.4	0.4
Secured bank loan	USD	2017	2.0	2.0	1.3	1.3
Secured bank loan	TWD	2017	2.9	2.9	3.3	3.3
Secured bank loan	BRL	2017	0.1	0.1	–	–
Secured bank loan	EUR/JPY	2017	0.1	0.1	0.1	0.1
Total interest-bearing liabilities			5.1	5.1	5.1	5.1

The loans bear interest at interest rates of between 0.9 per cent and 2.7 per cent. The secured bank loans are secured by guarantees provided by subsidiary companies and against land and buildings in Taiwan with a carrying value of $1.6 million.

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	
	2016 $million	2015 restated $million
Trade receivables	88.7	84.5
Other receivables	3.3	2.2
Cash and cash equivalents	82.6	79.1
	174.6	165.8

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

	Carrying amount	
	2016 $million	2015 restated $million
North America	17.9	19.0
Europe	25.8	27.3
Rest of the World	45.0	38.2
	88.7	84.5

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2016 $million	Impairment 2016 $million	Gross 2015 $million	Impairment 2015 $million
Not past due	**78.8**	**(0.3)**	76.6	(0.3)
Past due 0-30 days	**8.9**	**–**	6.8	–
Past due 31-120 days	**1.2**	**–**	1.3	–
Past due >121 days	**0.4**	**(0.3)**	0.4	(0.3)
Total	**89.3**	**(0.6)**	85.1	(0.6)

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

	2016 $million	2015 $million
Balance at 1 January	**0.6**	0.8
Impairment movements	**–**	(0.2)
Balance at 31 December	**0.6**	0.6

The provision for impairment relates primarily to customers of Elementis Chromium who, due to their payment history and geographic 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 2016				
	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	**–**	**–**	**–**	**–**	**–**
Secured bank loan	**5.1**	**(5.1)**	**(5.1)**	**–**	**–**
Trade and other payables*	**63.8**	**(63.8)**	**(63.8)**	**–**	**–**
	68.9	**(68.9)**	**(68.9)**	**–**	**–**

* excludes derivatives

	31 December 2015				
	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	0.4	(0.4)	–	(0.4)	–
Secured bank loan	4.7	(4.7)	(4.6)	(0.1)	–
Trade and other payables*	59.6	(59.6)	(59.6)	–	–
	64.7	(64.7)	(64.2)	(0.5)	–

* 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.

21. Financial risk management (continued)

Currency risk

Exposure to currency risk

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

	2016			2015		
	USD $million	Euro $million	Other $million	USD restated $million	Euro restated $million	Other restated $million
Trade receivables	**47.8**	**22.6**	**18.3**	46.3	21.5	16.7
Trade payables	**(27.9)**	**(11.7)**	**(13.1)**	(26.7)	(11.3)	(13.1)
Gross balance sheet exposure	**19.9**	**10.9**	**5.2**	19.6	10.2	3.6
Forward exchange contracts	**–**	**(23.5)**	**23.5**	–	(39.1)	39.1
Net exposure	**19.9**	**(12.6)**	**28.7**	19.6	(28.9)	42.7

The main exchange rates relevant to the Group are set out in the Finance report on page 15.

Sensitivity analysis

A 10 per cent strengthening of US dollar 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 restated $million	Profit or loss $million
31 December 2016		
GBP	**(6.5)**	**2.6**
Euro	**(3.2)**	**(3.9)**
RMB	**(3.0)**	**(1.4)**
TWD	**(2.7)**	**(0.3)**
31 December 2015		
GBP	(6.3)	2.3
Euro	(3.4)	(4.5)
RMB	(3.2)	(0.6)
TWD	(2.7)	(0.4)

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	
	2016 $million	2015 $million
Variable rate instruments		
Financial liabilities	**(0.3)**	(0.3)

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.

	2016 Profit or loss		2015 Profit or loss	
	100bp increase $million	100bp decrease $million	100bp increase $million	100bp decrease $million
Variable rate instruments	**–**	**–**	–	–

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 2016		31 December 2015	
	Carrying amount $million	Fair value $million	Carrying amount restated $million	Fair value restated $million
Trade and other receivables	92.0	92.0	86.7	86.7
Cash and cash equivalents	82.6	82.6	79.1	79.1
Derivative contracts used for hedging:				
Assets	–	–	–	–
Liabilities	(0.4)	(0.4)	(0.3)	(0.3)
Unsecured bank facility	–	–	(0.4)	(0.4)
Secured bank loan	(5.1)	(5.1)	(4.7)	(4.7)
Trade and other payables*	(97.6)	(97.6)	(79.9)	(79.9)
	71.5	71.5	80.5	80.5
Unrecognised gain/(loss)	–	–	–	–

* excludes derivatives

Basis for determining fair values

The Group measures fair values in respect of financial instruments in accordance with IFRS 13, 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.

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

Derivatives (level 2)

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 (level 2)

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, Trade and other payables (level 3)

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:

	2016 %	2015 %
Borrowings	0.9-2.7	0.9-2.7

At both 31 December 2015 and 31 December 2016 there was no difference between the carrying value and fair value of financial instruments.

22. Operating leases

	2016 $million	2015 $million
Minimum lease payments under operating leases recognised as an expense in the year	**4.1**	4.1

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

	2016 $million	2015 $million
Within one year	**3.9**	4.3
In the second to fifth years inclusive	**10.0**	9.4
After five years	**12.6**	12.5
	26.5	26.2

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

23. 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. At 31 December 2016 the main schemes in the UK and US were of the defined benefit type, the benefit being based on number of years of service and either the employee's final remuneration or the employee's average remuneration during a period of years before retirement. The assets of these schemes are held in separate trustee administered funds or are unfunded but provided for on the Group balance sheet. In the Netherlands the arrangement with the previous insurers of the defined benefit pension scheme came to an end on 31 December 2014 and the Group contracted with a new industry wide pension fund for 2015 onwards. As a result, the plan is now accounted for as a defined contribution plan.

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.

Other employee benefit schemes included in the table below relate to two unfunded pension schemes, a long term service award scheme in Germany and a special benefits programme for a small number of former employees of the Eaglescliffe plant.

Net defined benefit liability

The net liability was as follows:

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Other $million	Total $million
2016					
Total market value of assets	**702.9**	**109.8**	**–**	**–**	**812.7**
Present value of scheme liabilities	**(698.6)**	**(132.9)**	**(6.3)**	**(5.0)**	**(842.8)**
Net asset/(liability) recognised in the balance sheet	**4.3**	**(23.1)**	**(6.3)**	**(5.0)**	**(30.1)**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Other $million	Total $million
2015					
Total market value of assets	732.8	108.1	–	–	840.9
Present value of scheme liabilities	(726.1)	(132.5)	(6.3)	(5.0)	(869.9)
Net asset/(liability) recognised in the balance sheet	6.7	(24.4)	(6.3)	(5.0)	(29.0)

Employer contributions in 2016 were $3.3 million (2015: $21.1 million) to the UK scheme and $2.2 million (2015: $2.7 million) to US schemes. Contributions in 2017 are expected to be in the range $10 million to $15 million. Further details on agreed future payments to the UK pension scheme are included in the Finance report.

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components.

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Other $million	Total $million
2016					
Balance at 1 January	**6.7**	**(24.4)**	**(6.3)**	**(5.0)**	**(29.0)**
Included in profit or loss					
Current service cost	**(0.7)**	**(0.5)**	**(0.1)**	**(0.1)**	**(1.4)**
Running costs	**(1.1)**	**(0.3)**	**–**	**–**	**(1.4)**
Net interest expense	**0.3**	**(1.0)**	**(0.2)**	**(0.1)**	**(1.0)**
	(1.5)	**(1.8)**	**(0.3)**	**(0.2)**	**(3.8)**
Included in other comprehensive income					
Re-measurements:					
Return on plan assets excluding interest income	**107.5**	**4.3**	**–**	**–**	**111.8**
Actuarial gains arising from demographic assumptions	**–**	**0.9**	**–**	**–**	**0.9**
Actuarial gains/(losses) from financial assumptions	**(119.5)**	**(3.5)**	**(0.4)**	**(0.5)**	**(123.9)**
Actuarial gains/(losses) arising from experience adjustment	**8.7**	**0.2**	**(0.3)**	**–**	**8.6**
Exchange differences	**(0.9)**	**–**	**–**	**0.3**	**(0.6)**
	(4.2)	**1.9**	**(0.7)**	**(0.2)**	**(3.2)**
Contributions:					
Employers	**3.3**	**1.2**	**1.0**	**0.4**	**5.9**
Deficit in schemes at 31 December	**4.3**	**(23.1)**	**(6.3)**	**(5.0)**	**(30.1)**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Other $million	Total $million
2015					
Balance at 1 January	(28.4)	(23.7)	(7.4)	(6.3)	(65.8)
Included in profit or loss					
Current service cost	(0.8)	(0.6)	(0.1)	–	(1.5)
Running costs	(1.7)	(0.4)	–		(2.1)
Net interest expense	(0.6)	(0.8)	(0.2)	(0.2)	(1.8)
	(3.1)	(1.8)	(0.3)	(0.2)	(5.4)
Included in other comprehensive income					
Re-measurements:					
Return on plan assets excluding interest income	(40.3)	(4.3)	–	–	(44.6)
Actuarial gains/(losses) arising from demographic assumptions	7.3	(0.3)	–	–	7.0
Actuarial gains arising from financial assumptions	23.1	6.7	0.4	0.7	30.9
Actuarial gains/(losses) arising from experience adjustment	26.8	(2.8)	0.1	–	24.1
Exchange differences	0.2	–	–	0.6	0.8
	17.1	(0.7)	0.5	1.3	18.2
Contributions:					
Employers	21.1	1.8	0.9	0.2	24.0
Deficit in schemes at 31 December	6.7	(24.4)	(6.3)	(5.0)	(29.0)

23. Retirement benefit obligations (continued)

Plan assets

Plan assets comprise:

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Total $million
2016				
Equities	**246.0**	**68.2**	**–**	**314.2**
Bonds	**359.5**	**5.4**	**–**	**364.9**
Cash/liquidity funds	**97.4**	**36.2**	**–**	**133.6**
	702.9	**109.8**	**–**	**812.7**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Total $million
2015				
Equities	290.6	69.6	–	360.2
Bonds	349.2	35.0	–	384.2
Cash/liquidity funds	93.0	3.5	–	96.5
	732.8	108.1	–	840.9

* including LDI repurchase agreement liabilities

To reduce volatility risk a liability driven investment ('LDI') strategy forms part of the Trustees' management of the UK defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. The bond assets category in the table above includes gross assets of $477.3 million (2015: $447.0 million) and associated repurchase agreement liabilities of $117.8 million (2015: $97.8 million). Repurchase agreements are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Interest rate and inflation rate derivatives are also employed to complement the use of fixed and indexed linked bonds in matching the profile of the schemes liabilities.

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

Within the UK pension scheme, the current asset allocation is approximately 40 per cent in a liability matching fund consisting of gilts (fixed interest and index linked), bonds, cash and swaps and 60 per cent in an investment fund that includes various equity and equity like funds. The aim of the trustees is to manage the risk relative to the liabilities associated with the scheme's investments through a combination of diversification, inflation protection and hedging of risk (currency, interest rate and inflation risk). The US scheme currently has over 60 per cent of its asset value invested in a range of equity funds designed to target higher returns and thus reduce the pension deficit, with the balance invested in fixed income bonds and cash. The strategy is that as the deficit reduces, a greater proportion of investments will be made into liability matching funds.

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

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Total $million
2016				
Opening fair value of plan assets	**732.8**	**108.1**	**–**	**840.9**
Expected return	**24.6**	**4.2**	**–**	**28.8**
Running costs	**(1.1)**	**(0.3)**	**–**	**(1.4)**
Actuarial loss	**107.5**	**4.3**	**–**	**111.8**
Contributions by employer	**3.3**	**1.2**	**–**	**4.5**
Contributions by employees	**0.1**	**–**	**–**	**0.1**
Benefits paid	**(36.6)**	**(7.7)**	**–**	**(44.3)**
Exchange differences	**(127.7)**	**–**	**–**	**(127.7)**
Closing fair value of plan assets	**702.9**	**109.8**	**–**	**812.7**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Total $million
2015				
Opening fair value of plan assets	813.7	114.7	–	928.4
Expected return	26.8	4.1	–	30.9
Running costs	(1.7)	(0.4)	–	(2.1)
Actuarial gain	(40.3)	(4.3)	–	(44.6)
Contributions by employer	21.1	1.8	–	22.9
Contributions by employees	0.1	–	–	0.1
Benefits paid	(43.8)	(7.8)	–	(51.6)
Exchange differences	(43.1)	–	–	(43.1)
Closing fair value of plan assets	732.8	108.1	–	840.9

Defined benefit obligation

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

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Total $million
2016				
Opening defined benefit obligation	**(726.1)**	**(132.5)**	**(6.3)**	**(864.9)**
Service cost	**(0.7)**	**(0.5)**	**(0.1)**	**(1.3)**
Interest cost	**(24.2)**	**(5.2)**	**(0.2)**	**(29.6)**
Contributions by employees	**(0.1)**	**–**	**–**	**(0.1)**
Actuarial gains	**(110.8)**	**(2.4)**	**(0.7)**	**(113.9)**
Benefits paid	**36.6**	**7.7**	**1.0**	**45.3**
Exchange differences	**126.7**	**–**	**–**	**126.7**
Closing defined benefit obligation	**(698.6)**	**(132.9)**	**(6.3)**	**(837.8)**

	UK pension scheme $million	US pension schemes $million	US PRMB scheme $million	Total $million
2015				
Opening defined benefit obligation	(842.1)	(138.4)	(7.4)	(987.9)
Service cost	(0.8)	(0.6)	(0.1)	(1.5)
Interest cost	(27.4)	(4.9)	(0.2)	(32.5)
Contributions by employees	(0.1)	–	–	(0.1)
Actuarial losses	57.2	3.6	0.5	61.3
Benefits paid	43.8	7.8	0.9	52.5
Exchange differences	43.3	–	–	43.3
Closing defined benefit obligation	(726.1)	(132.5)	(6.3)	(864.9)

23. Retirement benefit obligations (continued)

Actuarial assumptions

A full actuarial valuation was carried out on 30 September 2014 for the UK scheme and at 31 December 2016 for the US schemes.

The principal assumptions used by the actuaries for the major schemes have been updated by the actuaries at the balance sheet date and were as follows:

	UK %	US %
2016		
Rate of increase in salaries	**4.30**	**3.00/3.45**
Rate of increase in pensions in payment	**3.10**	**n/a**
Discount rate	**2.60**	**3.85**
Inflation	**3.30**	**2.00**
2015		
Rate of increase in salaries	4.10	3.00/3.45
Rate of increase in pensions in payment	3.00	n/a
Discount rate	3.70	4.10
Inflation	3.10	2.25

The assumed life expectancies on retirement are:

	UK 2016 years	UK 2015 years	US 2016 years	US 2015 years
Retiring at 31 December 2016				
Males	**23**	22	**21**	21
Females	**25**	25	**22**	23
Retiring in 20 years				
Males	**25**	25	**21**	22
Females	**26**	26	**23**	24

The main assumptions for the PRMB scheme are a discount rate of 3.85 per cent (2015: 4.1 per cent) per annum and a health care cost trend of 6.5 per cent (2015: 6.5 per cent) per annum for claims pre age 65 reducing to 4.5 per cent per annum by 2021 (2015: 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.

At 31 December 2016, the weighted average duration of the defined benefit obligations for the major schemes was as follows:

UK: 15 years
US: 10 years

Sensitivity analysis

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%	Decreased/increased by 7%
Rate of inflation	Increased/decreased by 0.5%	Increased/decreased by 4%
Rate of salary growth	Increased/decreased by 0.5%	Increased/decreased by 0%
Rate of mortality	Increased by 1 year	Increased by 4%

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

24. Share based payments

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

A Long Term Incentive Plan was adopted in 2008 (amended in 2010 and 2015) ('LTIP') for selected senior executives including the executive directors, business presidents and general counsel. Awards of nil cost share options or conditional share awards are normally made annually and the maximum value of any grant to an individual is two times the CEO's basic salary. Awards vest after three years and are subject to EPS and TSR performance conditions over a three year period. Vested awards are then exercisable for up to seven years, subject to the rules of the plan. For US participants prior to 2015 (for tax reasons), the default practice is for options to be exercised at the date of vesting. From 2015, US participants received awards structured as restricted stock units.

Buyout awards for our CEO and CFO were made in 2016. These awards were made under our remuneration recruitment policy and as permitted under the Listing Rules. Further detail on these buy out awards can be found in the Annual report on remuneration, on pages 52 and 53.

Two tranches of awards of restricted stock units, over 225,645 ordinary shares per tranche, were made to the CEO on 7 March 2016. The first tranche will vest on the 7 March 2017, and the second tranche on 7 March 2018. Within each tranche was a portion (57.5 per cent) that was subject only to a service requirement of one or two years from the date of award (reflecting a minimum vesting value of the forfeited awards). The balance of the award (42.5 per cent) in each tranche was subject to performance conditions based on the following metrics: financial (cash) targets (30 per cent weight), operational (HSE) targets (30 per cent weight) and specific business objectives related to cost and talent management (40 per cent weight). These metrics were in nature similar and equivalently challenging to those of the forfeited awards.

One buyout award was made to the CFO on 19 September 2016. This is a nil cost option over 240,693 ordinary shares in Elementis. This award is subject to the same EPS and TSR performance conditions as those made in April 2016 to other participants of the Elementis LTIP and will ordinarily vest in April 2019.

For other executives, shareholders approved at the 2012 AGM an approved and unapproved executive share option scheme ('2012 ESOS'). This scheme replaced the previous approved and unapproved executive share option scheme ('2003 ESOS') which expired in 2013. The last awards made under the 2003 scheme were in 2012. Under the 2003 and 2012 ESOS, options are usually granted annually to purchase shares in the Company at an exercise price per share based on the Company's average mid-market closing share price on the dealing day preceding the date of grant with no discount applied. The number of options that are granted are based on a percentage of the participant's basic salary. Options vest after three years and are subject to EPS and TSR performance conditions. Vested options are then exercisable for up to seven years, subject to the rules of the schemes. The Company operates two shadow executive share option schemes for a number of executives, who are employed or based in China, that are structured in almost all respects as the 2003 and 2012 ESOS.

The Company also operates a 2008 UK Savings Related Share Option Scheme, which is a save as you earn ('SAYE') scheme, under which UK employees can enter into contracts to save currently up to a maximum of £500 per month with a bank or building society 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 mid-market closing share price over the five working days preceding the invitation date, discounted by 20 per cent. Options may be exercised typically within six months following the end of the savings period. A similar scheme exists for US employees. Under the 2008 US Sharesave Scheme, US employees can enter into contracts to save up to a maximum of $2,000 per month with a bank or similarly approved institution, 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 average mid-market closing share price on the date of the grant, discounted by 15 per cent. Options may be exercised typically within three months following the end of the savings period. Options granted under the two savings based schemes are held subject to the rules of the schemes.

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

	2016	2015
Fair value per option (pence)	**142.6**	136.8
Expected volatility (per cent)	**28.0**	27.0
Risk free rate (per cent)	**0.5**	0.9
Expected dividend yield (per cent)	**1.9**	1.1

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 $2.3 million (2015: $2.1 million) related to share based payment transactions during the year.

24. Share based payments (continued)

At 31 December 2016 the following options/awards to subscribe for ordinary shares were outstanding:

Year of grant	Exercise price (p)	Exercisable From	To	At 1 January 2016 '000	Granted '000	Exercised '000	Expired '000	**At 31 December 2016 '000**
UK savings related share option scheme								
2011	121.66	01/10/16	01/04/17	4	–	(4)	–	**–**
2012	168.06	01/10/15	01/04/16	6	–	(6)	–	**–**
2012	168.06	01/10/17	01/04/18	5	–	–	(5)	**–**
2013	206.14	01/10/16	01/04/17	40	–	(33)	(5)	**2**
2013	206.14	01/10/18	01/04/19	3	–	–	(3)	**–**
2014	216.58	01/10/17	01/04/18	107	–	(2)	(62)	**43**
2015	207.32	01/10/18	01/04/19	86	–	(2)	(43)	**41**
2016	175.81	01/10/19	01/04/20	–	175	–	–	**175**
				251	175	(47)	(118)	**261**
US savings related share option scheme								
2014	242.93	22/08/16	22/11/16	147	–	(4)	(143)	**–**
2015	201.79	24/08/17	24/11/17	311	–	(9)	(75)	**227**
2016	185.30	31/08/18	31/11/18	–	370	–	(7)	**363**
				458	370	(13)	(225)	**590**
Executive share option schemes/awards granted under the long term incentive plan*								
2010+	57.00	06/04/13	06/04/20	307	–	(50)	–	**257**
2011+	149.90	04/04/14	04/04/21	319	–	(75)	–	**244**
2012+	194.30	27/06/15	27/06/22	590	–	(157)	–	**433**
2012*	Nil	27/06/15	27/06/22	178	–	(178)	–	**–**
2013+	260.70	02/04/16	02/04/23	632	–	–	(632)	**–**
2013*	Nil	02/04/16	02/04/23	1,058		–	(1,058)	**–**
2014+	286.50	01/04/17	01/04/24	559	–	–	(33)	**526**
2014*	Nil	01/04/17	01/04/24	937	–	–	–	**937**
2015+	290.20	01/04/18	01/04/25	588	–	–	(34)	**554**
2015*	Nil	27/04/18	27/04/25	924	–	–	(233)	**691**
2016Δ	Nil	07/03/17	07/03/26	–	226	–	–	**226**
2016Δ	Nil	07/03/18	07/03/26	–	226	–	–	**226**
2016+	238.40	04/04/19	04/04/26	–	933	–	(38)	**895**
2016*	Nil	04/04/19	04/04/26	–	1,333	–	–	**1,333**
2016Δ	Nil	04/04/19	19/09/26	–	241	–	–	**241**
				6,092	2,959	(460)	(2,028)	**6,563**

\+ These options include cash settled shadow executive options granted to a number of executives on the same basis as the executive options (with the same performance conditions and exercise provisions). These shadow options are included in the calculation of the total expenses recognised by the Group related to share based payments. The closing balance of the 2010, 2011, 2012, 2013, 2014, 2015 and 2016 options shown above include approximately 68,000, 54,000, 58,000, nil, 59,000, 67,000 and 85,000 shadow options respectively.

Δ Awards made as one-off agreements that borrow from the terms of the LTIP.

The weighted average exercise prices of options disclosed in the previous table were as follows:

	2016 Average exercise price (p)	2015 Average exercise price (p)
At 1 January	**121.4**	104.9
Granted	**91.8**	132.1
Exercised	**108.8**	77.8
Expired	**113.4**	71.4
At 31 December	**110.9**	121.4

The weighted average share price at the date of exercise of share options exercised during the year was 220 pence (2015: 252 pence).

25. 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.

26. Movement in net cash/(borrowings)

	2016 $million	2015 $million
Change in net cash resulting from cash flows:		
Increase in cash and cash equivalents	**6.3**	7.8
Decrease in borrowings repayable within one year	**(0.1)**	3.6
Decrease in borrowings repayable after one year	**0.1**	0.3
	6.3	11.7
Currency translation differences	**(2.8)**	(1.9)
Increase in net cash	**3.5**	9.8
Net cash at beginning of year	**74.0**	64.2
Net cash at end of year	**77.5**	74.0

27. Dividends

An interim dividend of 2.70 cents per share (2015: 2.70 cents) was paid on 30 September 2016 and the Group is proposing a final dividend of 5.75 cents per share (2015: 5.75 cents) for the year ended 31 December 2016 and a special dividend of 8.35 cents per share (2015: 8.00 cents). The total dividend for the year, excluding the special dividend, is 8.45 cents per share (2015: 8.45 cents) and 16.80 cents per share (2015: 16.45 cents) including the special dividend.

The amount payable for the final dividend and special dividend, based on the anticipated number of qualifying ordinary shares registered on the record date, is $65.4 million.

The payment of this dividend will not have any tax consequences for the Group.

28. Key management compensation

	2016 $million	2015 $million
Salaries and short term employee benefits	**3.4**	3.0
Other long term benefits	**0.4**	0.7
Share based payments	**1.6**	1.3
	5.4	5.0

The key management compensation given above is for the Board and the two business presidents. Directors' remuneration is set out in the Directors' remuneration report on pages 39 to 59.

29. 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. No contingent liability was considered to be reportable at 31 December 2016.

30. Events after the balance sheet date

On 10 February 2017 the Group announced its intention to acquire SummitReheis, a global leader in the fast growing anti-perspirant actives market with operations in the US, Europe and Asia, for consideration of $360 million. Completion of the acquisition is expected to take place in the second quarter of 2017 following receipt of anti-trust clearances in the US and Germany. As at 31 December 2015, SummitReheis had total assets of $208 million and net assets of $12 million. For the year ended 31 December 2016, SummitReheis is expected to report revenue of $134 million and underlying EBITDA of approximately $28 million.

The Group intends to fund the acquisition through its existing cash resources and new debt facilities of $475 million, which will also be used to refinance the existing $100 million revolving credit facility. The new debt, which has a five year term, will be provided through a fully underwritten $275 million revolving credit facility and $200 million term loan facility and may be drawn, amongst other conditions, once the acquisition closing conditions have been met.

31. Prior year restatement

During 2016 the Directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, when the Group had transferred the significant risks and rewards of ownership of the goods. Following further assessment of the terms of shipment, the Directors have concluded that international shipments should not be recognised within revenue until they reach the destination port, as they believe that this more accurately reflects the commercial substance of the transaction in that risks and rewards of ownership pass to the customer at this point. Due to this change in the accounting policy, the prior year comparatives have therefore been restated to provide comparable information.

The financial statement line items impacted have been set out below.

Consolidated income statement

	2015 reported $million	Restatement $million	2015 restated $million	Adjusting items (note 5) $million	2015 Restated Adjusted $million
Revenue	**678.8**	(1.6)	**677.2**	–	**677.2**
Cost of sales	**(418.8)**	0.6	**(418.2)**	–	**(418.2)**
Gross profit	**260.0**	(1.0)	**259.0**	–	**259.0**
Operating Profit	**128.1**	(1.0)	**127.1**	(5.6)	**121.5**
Profit before income tax	**121.8**	(1.0)	**120.8**	(5.6)	**115.2**
Tax charge	**(26.5)**	0.3	**(26.2)**	7.2	**(19.0)**
Profit for the year	**95.3**	(0.7)	**94.6**	1.6	**96.2**

Consolidated statement of comprehensive income

	2015 reported $million	Restatement $million	2015 restated $million
Profit for the year	**95.3**	(0.7)	**94.6**
Exchange differences on translation of foreign operations	**(21.7)**	0.2	**(21.5)**
Total comprehensive income for the year	**83.4**	(0.5)	**82.9**

Balance Sheet

	2015 reported $million	Restatement $million	2015 restated $million
At 1 January 2015			
Inventories	**137.5**	6.8	**144.3**
Trade and other receivables	**121.4**	(10.5)	**110.9**
Retained earnings	**464.6**	(3.5)	**461.1**
Translation reserve	**(40.3)**	(0.2)	**(40.5)**
At 31 December 2015			
Inventories	**119.5**	7.2	**126.7**
Trade and other receivables	**103.8**	(11.8)	**92.0**
Current tax liabilities	**(0.6)**	0.4	**(0.2)**
Retained earnings	**500.4**	(4.2)	**496.2**
Translation reserve	**(62.0)**	–	**(62.0)**

Parent company statutory accounts
Elementis PLC

Balance sheet
at 31 December 2016

	Note	2016 £million	2015 £million
Fixed assets			
Investments	6	**767.8**	766.2
Current assets			
Debtors	7	**12.7**	12.7
Creditors: amounts falling due within one year			
Creditors	8	**(0.6)**	(0.6)
Net current assets		**12.1**	12.1
Total assets less current liabilities		**779.9**	778.3
Creditors: amounts falling due after more than one year			
Amounts due to subsidiary undertakings		**(270.4)**	(215.8)
Net assets		**509.5**	562.5
Capital and reserves			
Called up share capital	9	**23.1**	23.1
Share premium account		**12.0**	11.5
Capital redemption reserve		**83.3**	83.3
Other reserves		**250.5**	250.5
Share option reserve		**2.8**	2.9
Profit and loss account		**137.8**	191.2
Equity shareholders' funds		**509.5**	562.5

The Company recognised a loss for the financial year ended 31 December 2016 of £2.0 million (2015: £225.2 million profit).

The financial statements of Elementis plc, registered number 3299608, on pages 109 to 114 were approved by the Board on 1 March 2017 and signed on its behalf by:

Paul Waterman
CEO

Ralph Hewins
CFO

Parent company statutory accounts
Elementis PLC continued

Statement of changes in equity
For the year ended 31 December 2016

	Share capital £million	Share premium £million	Capital redemption reserve $million	Other reserves £million	Share options reserve £million	Retained earnings £million	Total £million
Balance at 1 January 2015	23.1	10.5	83.3	81.5	3.1	179.5	381.0
Comprehensive income							
Profit for the year	–	–	–	–	–	225.2	225.2
Transfer	–	–	–	169.0	–	(169.0)	–
Total other comprehensive income	–	–	–	169.0	–	(169.0)	–
Total comprehensive income	–	–	–	169.0	–	56.2	225.2
Transactions with owners							
Issue of shares by the Company	–	1.0				–	1.0
Share based payments	–	–	–	–	–	1.4	1.4
Transfer	–	–	–	–	(0.2)	0.2	–
Dividends paid	–	–	–	–	–	(46.1)	(46.1)
Total transactions with owners	–	1.0	–	–	(0.2)	(44.5)	(43.7)
Balance at 31 December 2015	23.1	11.5	83.3	250.5	2.9	191.2	562.5
Balance at 1 January 2016	**23.1**	**11.5**	**83.3**	**250.5**	**2.9**	**191.2**	**562.5**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**(2.0)**	**(2.0)**
Total other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(2.0)**	**(2.0)**
Transactions with owners							
Issue of shares by the Company	**–**	**0.5**	**–**	**–**	**–**	**–**	**0.5**
Share based payments	**–**	**–**	**–**	**–**	**–**	**1.7**	**1.7**
Transfer	**–**	**–**	**–**	**–**	**(0.1)**	**0.1**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(53.2)**	**(53.2)**
Total transactions with owners	**–**	**0.5**	**–**	**–**	**(0.1)**	**(51.4)**	**(51.0)**
Balance at 31 December 2016	**23.1**	**12.0**	**83.3**	**250.5**	**2.8**	**137.8**	**509.5**

The £169 million movement shown within other comprehensive income for 2015 is in respect of a re-presentation of prior years' impairment reversals. The above analysis is provided to demonstrate a greater level of transparency in relation to the Company's distributable reserves, which amount to £137.8 million (2015: £191.2 million) at the end of the period.

Notes to the Company financial statements of Elementis Plc
for the year ended 31 December 2016

1. General information
Elementis plc is a public company limited by shares and is incorporated and domiciled in England. The address of its registered office is, Caroline House, 55-57 High Holborn, London WC1V 6DX. The principal activity of the Company is to act as an investment and holding company.

2. Basis of preparation
The Company's financial statements have been prepared in compliance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 – 'Reduced disclosure framework – Disclosure exemptions from EU-adopted IFRS for qualifying entities' ('FRS 101'), and with the Companies Act.

As a qualifying entity whose results are consolidated in the Elementis plc Consolidated financial statements on pages 70 to 108, the Company has taken advantage of the disclosure exemption requirements of FRS 101 regarding the requirement to prepare a statement of cash flows and certain financial instrument, share based pay and key management personnel compensation disclosures.

3. Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 101 in these financial statements.

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 less impairment.

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.

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. Details of the latest actuarial valuation carried out in September 2014 can be found in the 2016 Elementis plc Annual report and accounts. Following the introduction of the revised reporting standard, any surplus or deficit in the Elementis Group defined benefit pension scheme is to be reported in the financial statements of Elementis Holdings Ltd, which employs the majority of active members of the scheme and is responsible for making deficit contributions under the current funding plan.

Taxation
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. 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. Where the Company grants options over its own shares to the employees of its subsidiaries it recognises in its individual financial statements an increase in the cost of investment in its subsidiaries equivalent to the equity settled share based payment charge recognised in its subsidiaries' financial statements, with the corresponding credit being recognised directly 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
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.

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.

4. 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 loss of £2.0 million (2015: £225.2 million profit) is dealt within the financial statements of the Company.

5. Directors' remuneration

Details of directors' remuneration for the Company are included in the Directors' remuneration report within the Elementis plc Annual report and accounts on pages 39 to 59.

6. Investments

	Unlisted shares at cost £million	Unlisted loans £million	Capital contributions £million	Total £million
Cost at 1 January 2016	0.1	759.0	7.1	766.2
Additions	–	–	1.6	1.6
Net book value 31 December 2016	**0.1**	**759.0**	**8.7**	**767.8**
Net book value 31 December 2015	0.1	759.0	7.1	766.2

The investment in unlisted loans is with Elementis Holdings Limited, an indirect wholly owned subsidiary. The investments in unlisted shares are in Elementis Group BV and Elementis Overseas Investments Limited, both wholly owned subsidiaries. Capital contributions relate to share based payment awards made to employees of subsidiary companies.

The trading subsidiaries of Elementis plc, all of which are wholly owned, are as follows:

Subsidiary undertakings		Country of incorporation and operation
Deuchem Co., Ltd	Additives and resins	Taiwan[1]
Deuchem (HK) Trading Co Ltd	Additives and resins	People's Republic of China – Hong Kong Special Administrative Region[2]
Deuchem (Shanghai) Chemical Co. Ltd	Additives and resins	People's Republic of China[3]
Elementis Chromium Inc	Chromium chemicals	United States of America[4]
Elementis Chromium LLP	Chromium chemicals	United Kingdom[5]
Elementis Deuchem (Shanghai) Chemical Ltd	Additives and resins	People's Republic of China[6]
Elementis LTP Inc	Chromium chemicals	United States of America[7]
Elementis Specialties (Anji) Ltd	Organoclays	People's Republic of China[8]
Elementis Specialties (Changxing) Ltd	Organoclays	People's Republic of China[9]
Elementis Specialties do Brasil Quimica Ltda	Coatings additives	Brazil[10]
Elementis Specialties Inc	Rheological additives, colourants, waxes, other specialty additives	United States of America[7]
Elementis Specialties Netherlands BV	Surfactants and coatings additives	The Netherlands[11]
Elementis UK Limited trading as: Elementis Specialties	Rheological additives, colourants, waxes, other specialty additives	United Kingdom[5]

1 Registered office 92, Kuang-Fu Road North Road, Hsinchu Industrial Park, Hukou, Hsinchu County Taiwan 303
2 Registered office 11F Haribest Industrial, 45-47 Au Pui Wan Street, Fo Tan, Shatin Hong Kong
3 Registered office 99 Lianyang Road, Songjiang Industrial Zone, Shanghai China
4 Registered office Suite 1257, 300 Delaware Avenue, Wilmington, Delaware 19801 US
5 Registered office Caroline House, 55-57 High Holborn, London WC1V 6DX UK
6 Registered office Room 223, No. 2 Lane 1000, Changta Road, Shihudang Town, Songjiang District, Shanghai China
7 Registered office 1209 Orange Street, Wilmington, Delaware, 19801 US
8 Registered office Huibutai, Majiadu Village, Dipu Town, Anji County, Huzhou City, Zhejiang Province China
9 Registered office Sian Town, Changxing County, Zhejiang Province China
10 Registered office Rodovia Nelson Leopoldino, SP 375, Km 13,8, s/n, Bairro Rural, Palmital, São Paulo Brazil
11 Registered office Langestraat 167, Delden, 7491 AE The Netherlands

Non-trading and dormant subsidiaries of Elementis plc, all of which are wholly owned within the Group, are as follows:

Agrichrome Ltd	Non-trading	United Kingdom[1]
American Chrome & Chemicals Inc	Dormant	United States of America[2]
Deuchem Holding Inc	Dormant	Samoa
Deuchem International Inc	Dormant	Samoa
Elementis America Shared Services Inc	Dormant	United States of America[2]
Elementis Australia Ltd	Dormant	United Kingdom[1]
Elementis Benelux NV	Non-trading (in liquidation)	Belgium[3]
Elementis BV	Dormant	Netherlands[4]
Elementis Catalysts Inc	Dormant	United States of America[2]
Elementis Chemicals Inc	Dormant	United States of America[2]
Elementis Chromium America Inc	Dormant	United States of America[5]
Elementis Finance (Australia) Ltd	Dormant	United Kingdom[1]
Elementis Finance (Germany) Ltd	Non-trading	United Kingdom[1]
Elementis Finance (Ireland) Ltd	Non-trading	Ireland[6]
Elementis Finance (US) Ltd	Non-trading	United Kingdom[1]
Elementis Germany GmbH	Dormant	Germany[7]
Elementis Germany Ltd	Dormant	United Kingdom[1]
Elementis Global LLC	Non-trading	United States of America[2]
Elementis GmbH	Non-trading	Germany[7]
Elementis Group (Finance) Ltd	Non-trading	United Kingdom[1]
Elementis Group BV	Non-trading	Netherlands[4]
Elementis Group Ltd	Dormant	United Kingdom[1]
Elementis Holdings Ltd	Non-trading	United Kingdom[1]
Elementis London Ltd	Dormant	United Kingdom[1]
Elementis Nederland BV	Non-trading	Netherlands[4]
Elementis New Zealand Ltd	Dormant	United Kingdom[1]
Elementis NZ Ltd	Non-trading	New Zealand[8]
Elementis Overseas Investments Ltd	Non-trading	United Kingdom[1]
Elementis Pigments Inc	Dormant	United States of America[2]
Elementis S.E.A. (Malaysia) Sdn Bhd	Non-trading	Malaysia[9]
Elementis Securities Ltd	Non-trading	United Kingdom[1]
Elementis Service Centre NV	Non-trading	Belgium[10]
Elementis Services GmbH	Non-trading	Germany[7]
Elementis Specialties (India) Private Ltd	Non-trading	India[11]
Elementis US Holdings Inc	Non-trading	United States of America[2]
Elementis US Ltd	Non-trading	United Kingdom[1]
H & C Acquisitions Ltd	Dormant	United Kingdom[1]
H & C Lumber Inc	Dormant	United States of America[2]
Harcros Chemicals Canada Inc	Dormant	Canada[12]
Iron Oxides s.a.de. CV	Dormant	Mexico
NB Chrome Ltd	Dormant	United Kingdom[1]

1 Registered office Caroline House, 55-57 High Holborn, London WC1V 6DX UK
2 Registered office 1209 Orange Street, Wilmington, Delaware, 19801 US
3 Registered office Regus Brussels Airport, Pegasuslaan 5,1831 Diegem Belgium
4 Registered office Langestraat 167, Delden, 7491 AE, The Netherlands
5 Registered office Suite 1257, 300 Delaware Avenue, Wilmington, Delaware 19801 US
6 Registered office 8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2 Ireland
7 Registered office Stolberger Str.370, 50933, Köln Germany
8 Registered office KPMG, P O Box 1584, 18 Viaduct Harbour Avenue, Maritime Square, Auckland New Zealand
9 Registered office 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur Malaysia
10 Registered office Pegasuslaan 5, 1831 Machelen (Brab.) Belgium
11 Registered office 703, 7th Floor, Olympus, 5/C, Altamount Road, Mumbai 400026, India
12 Registered office C/o Stewart McKelvey Stirling Scales,44 Chipman Hill, Suite 1000 ON E2L 4S6 Canada

Notes:
Other than Elementis Group BV and Elementis Overseas Investments Ltd, none of the undertakings is held directly by the Company.
Equity capital is in ordinary shares and voting rights equate to equity ownership.
All undertakings listed above, with the exception of Elementis Specialties (India) Private Ltd for which the relevant date is 31 March, have accounting periods ending 31 December.
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.
All undertakings listed above have been included in the Consolidated financial statements of the Group for the year.

7. Debtors

	2016 £million	2015 £million
Group relief receivable	12.7	12.7

8. Creditors: amount falling due within one year

	2016 £million	2015 £million
Accruals and deferred income	0.6	0.6

9. Called up share capital

	2016 Number '000	2016 £million	2015 Number '000	2015 £million
Called-up allotted and fully paid:				
Ordinary shares of 5 pence each				
At 1 January	462,976	23.1	461,637	23.1
Issue of shares	520	0.1	1,339	–
At 31 December	463,496	23.2	462,976	23.1

During the year a total of 519,527 ordinary shares with an aggregate nominal value of £25,977 were allotted and issued for cash to various employees at subscription prices between nil pence and 243 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 £0.6 million. The holders of ordinary shares are entitled to receive dividends and entitled to one vote per share at meetings of the Company.

10. Related party transactions

The Company is a guarantor to the Elementis Group defined benefit 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.

Glossary

ABI	Association of British Insurers
ACC	American Chemistry Council
ACT	Advance Corporation Tax
AGM	Annual General Meeting
AWC	Average working capital
Board	Board of Directors of Elementis plc
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating units
CO_2	Carbon dioxide
Company	Elementis plc
CR	Corporate responsibility
DB Scheme	Defined benefit scheme
DEFRA	Department for Environment and Rural Affairs
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
ESOS	Executive share option scheme
ESOT	Employee share ownership trust
EU	European Union
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GDP	Gross domestic product
GHG	Greenhouse gases
GJ	Gigajoule
Group	Elementis plc and its subsidiaries
HMRC	Her Majesty's Revenue and Customs
HSE	Health, safety and environment
HR	Human Resources
IFC	Inside front cover
IFRS	International Financial Reporting Standards
ISS	Institutional Shareholder Services
KAM	Key account management
KPI	Key performance indicator
kWH	Kilowatt hour
LTA	Lost time accident
LTIP	Long term incentive plan
NIC	National Insurance Contributions
OSHA	Occupational Safety and Health Administration
PBT	Profit before tax
P.A.	Per Annum
R&D	Research and development
REACh	Registration, Evaluation, Authorisation and Restriction of Chemicals
ROCE	Return on capital employed
SAYE	Save as you earn
SID	Senior Independent Director
TSR	Total shareholder return
UK	United Kingdom
UN	United Nations
US	United States
VOC	Volatile organic compound

Five year record

	2016 $million	2015 restated $million	2014 $million	2013 restated** $million	2012 restated** $million
Turnover					
Specialty Products	**460.4**	453.1	519.7	502.8	458.7
Surfactants	**42.9**	53.8	66.9	72.2	72.5
Chromium	**156.2**	170.3	203.8	201.8	225.8
	659.5	677.2	790.4	776.8	757.0
Operating profit after adjusting items					
Specialty Products	**78.8**	79.9	98.5	99.1	90.1
Surfactants	**(0.6)**	4.5	4.9	5.6	4.8
Chromium	**27.1**	48.0	58.3	55.1	62.8
Central costs	**(11.1)**	(10.9)	(11.6)	(13.2)	(13.8)
	94.2	121.5	150.1	146.6	143.9
Adjusting items	**(9.7)**	5.6	6.3	(1.7)	–
Profit before interest	**84.5**	127.1	156.4	144.9	143.9
Other expenses	**(1.4)**	(2.1)	(1.9)	(2.0)	(2.5)
Net interest payable	**(7.6)**	(4.2)	(6.3)	(8.6)	(8.0)
Profit before tax	**75.5**	120.8	148.2	134.3	133.4
Tax	**(7.4)**	(26.2)	27.2	(27.6)	(33.1)
Profit attributable to equity holders of the parent	**68.1**	94.6	175.4	106.7	100.3

	2016 $million	2015 restated** $million	2014 $million	2013 restated*** $million	2012 restated $million
Basic					
Earnings per ordinary share (cents)	**14.7**	20.5	38.1	23.3	22.2
Earnings per ordinary share after adjusting items (cents)	**17.0**	20.8	25.1	23.3	22.2
Diluted					
Earnings per ordinary share (cents)	**14.6**	20.3	37.7	23.0	21.8
Earnings per ordinary share after adjusting items (cents)	**16.8**	20.6	24.8	23.0	21.8
Dividend per ordinary share (cents)	**16.80**	16.45	15.40	13.93	12.56
Interest cover (times)*	**134.6**	121.5	115.5	63.7	55.3
Equity attributable to equity holders of the parent	**627.1**	653.8	644.1	543.9	479.2
Net cash	**77.5**	74.0	64.2	54.1	44.0
Weighted average number of ordinary shares in issue during the year (million)	**462.8**	462.2	460.7	456.9	451.8

* ratio of operating profit after adjusting items to interest on net borrowings
** 2015 restated per note 5 but not prior years. This is not expected to be material
*** restated following the adoption of IAS 19 Employee Benefits standard

Shareholder services

Elementis corporate website
The Group operates a website which can be found at www.elementisplc.com. This site is frequently updated to provide shareholders with 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
Tel: 0371 384 2379 or +44 (0) 121 415 7043

Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday.

Website: www.shareview.co.uk

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: 0371 384 2255
Callers outside the UK telephone: +44 (0) 121 415 7028

Web based enquiry service
Equiniti provides a range of shareholders' services online. The portfolio service provides access to information on share balances, balance movements, indicative share prices and information on recent dividends and also enables address and dividend mandate details to be amended online. For further information and practical help on transferring shares or updating your details, please visit www.shareview.co.uk.

Equiniti also provides a share dealing service that enables shares to be bought or sold by UK shareholders by telephone or over the internet. For telephone share dealing please call 0345 603 7037 between 8.30 a.m. and 4.30 p.m. (lines are open until 6.00 p.m. for enquiries) and for internet share dealing please visit: www.shareview.co.uk/dealing.

Corporate information

Company Secretary
Wai Wong

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

Registered number
3299608

Auditors
Deloitte LLP

Joint Corporate Brokers
UBS Investment Bank
N+1 Singer

Financial calendar

1 March 2017	Preliminary announcement of final results for the year ended 31 December 2016
25 April 2017	Annual General Meeting
25 April 2017*	Trading update
27 April 2017	Ex-dividend date for final and special dividend for 2016 payable on ordinary shares
28 April 2017	Record date for final and special dividend for 2016 payable on ordinary shares
26 May 2017	Payment of final and special dividend for 2016 on ordinary shares
1 August 2017*	Interim results announcement for the half year ending 30 June 2017
7 September 2017*	Ex-dividend date for interim dividend for 2017 payable on ordinary shares
8 September 2017*	Record date for interim dividend for 2017 payable on ordinary shares
29 September 2017*	Payment of interim dividend for 2017 on ordinary shares
27 October 2017*	Trading update

* provisional date

Annual General Meeting
The Annual General Meeting of Elementis plc will be held on 25 April 2017 at 9.30 a.m. at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG. 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.

Principal offices
Elementis plc
Caroline House
55-57 High Holborn
London
WC1V 6DX
UK

Tel: +44 (0) 20 7067 2999
Fax: +44 (0) 20 7067 2998

Email: elementis.info@elementis.com
Website: www.elementisplc.com

Elementis Global
Elementis Specialty Products
Elementis Chromium
Elementis Surfactants
469 Old Trenton Road
East Windsor
NJ 08512
US

Tel: +1 609 443 2000

Websites: www.elementis.com
(Specialty Products and Surfactants)

www.elementischromium.com
(Chromium)

Elementis plc
Caroline House
55-57 High Holborn
London
WC1V 6DX
UK

Tel: +44 (0) 20 7067 2999
Fax: +44 (0) 20 7067 2998
www.elementisplc.com