

CROSFIELD LIMITED - REGISTERED NUMBER 48745

REPORTS AND ACCOUNTS 1998

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CROSFIELD LIMITED
DIRECTORS' REPORT FOR THE YEAR 1998

Registered Number 48745

Directors:	Mr J D Hinnigan	(Chairman)
	Mr W R Griffiths	
	Mr C P Joslin	(resigned 27 July 1999)
	Dr A L Lovell	
	Mr G Mulholland	
	Mr P F Dee	(appointed 27 July 1999)
Secretary:	Mrs L Hughes	(appointed 27 July 1999)
	Mr W J Oliphant	(resigned 27 July 1999)

Principal Activities and Business Review

There was no significant change in the principal activities of the company which consisted of the manufacture and sale of chemicals.

The directors consider that in the conditions prevailing during the year the development of the company's business and its financial position at the end of the year were satisfactory.

In April 1998 Crosfield's HTC business was sold to another ICI Group company, ICI Chemicals & Polymers Ltd. The fixed assets were sold at book value for £959,000. The plant was closed in October 1998.

In October 1998, W R Grace decided not to proceed with the purchase of the Crosfield business.

In December 1998, the directors decided to close the Y Zeolite plant; production stopped in January 1999.

In December 1998, the directors decided to undertake a fundamental re-organisation of the business. The costs have a material effect on the focus and direction of operations. These costs represent redundancy, re-organisation and consultancy costs to be incurred in 1999 and 2000.

Research and Development

The company's research and development programme continued to investigate new materials and applications for existing and developing products, whilst at the same time seeking to improve the quality and performance of the existing range of products.

Profits and Dividend

The loss for the year is £7,895,000. A dividend has not been declared.

Market Value of Land and Buildings

In view of the fact that the land and buildings are used for productive and distributive activities and are not held for resale, the directors consider that the difference between their market value and the value at which they are included in the balance sheet is not of such significance as to require that attention be drawn to it as would be required by Schedule 7 (Part 1) of the Companies Act 1985.

Directors' Interests

According to the Register of Directors' Interests, the notifiable interests of the directors in office at 31 December 1998 in the shares, stock and debentures of Imperial Chemical Industries PLC and its subsidiaries are shown below.

Imperial Chemical Industries PLC Ordinary Shares of £1 each

	<u>At 1.1.1998</u>	<u>At 31.12.1998</u>
Mr J D Hinnigan	NIL	NIL
Mr W R Griffiths	NIL	NIL
Mr C P Joslin	NIL	NIL
Dr A L Lovell	NIL	NIL
Mr G Mulholland	NIL	NIL

Options to subscribe for £1 Ordinary Shares of Imperial Chemical Industries PLC are shown below.

	<u>At 1.1.1998</u>	<u>Granted</u>	<u>Exercised</u>	<u>At 31.12.1998</u>
Mr J D Hinnigan	11,029	13,536	2,029	22,536
Mr W R Griffiths	2,029	3,336	-	5,365
Mr C P Joslin	1,147	1,133	1,147	1,133
Dr A L Lovell	917	-	-	917
Mr G Mulholland	NIL	NIL	NIL	NIL

Millennium

The company implemented a plan to assess the risks and uncertainties associated with Year 2000 and steps have already been taken to eliminate these risks. Crosfield's Year 2000 programme is targeted at ensuring continuity of business into the next century and covers both internal aspects such as IT systems and embedded systems and external aspects such as supply chain and sales. Responsibility for ensuring Year 2000 compliance is allocated to a Steering Group who report to the directors.

The programme forms part of the millennium project of the ICI Group. In addition, there have been a series of internal and customer reviews and there will be an independent audit in Quarter 4 1999.

The total cost of the projects was estimated at £3.5m and at the balance sheet date £1.4m was still to be spent on the outstanding projects. The estimate was based on the need to update or replace software, with allowances for relevant consultancy and internal costs. It is anticipated that the outstanding work will be completed by the end of Quarter 4 1999.

Employment of Disabled Persons

The company recognises its responsibility to employ disabled persons in suitable employment, and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the company's employment, in the same job if this is practicable. If a change of job is necessary such an employee is considered for any suitable alternative work which is relevant, and any necessary training is arranged.

Disabled employees generally are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Employee Involvement

Senior Management of the company met employee representatives quarterly in the Company Council. They discussed external and internal factors affecting the current state of the business, future marketing and investment plans and their implications for employment and personnel policies.

Every employee received a full statement of sales and profitability during 1997 and plans for future development during 1998 as a supplement to the April edition of the company's bimonthly newspaper.

In May 1998, the Chairman of Crosfield and President of W R Grace addressed all employees. They described their objectives and plans for the two companies. In October 1998, when W R Grace withdrew their purchase offer, all employees were informed.

Regular consultation took place with employee representatives of the various interest groups. These consultations supplement normal line communications through departmental committees.

The Works Manager met employee representatives each quarter in the Safety Co-ordinating Committee to monitor the work of departmental committees and to review the company's responsibilities under the Health and Safety at Work Act.

An invitation was made to eligible employees of the company to participate in the Imperial Chemical Industries PLC Sharesave Scheme under which options were granted in October 1998.

Creditors Payment Policy

The ICI Group negotiates the terms of payment to creditors upon entering into a trade relationship with each supplier. Such terms may be subsequently varied by agreement with the suppliers and are recorded on purchase orders. It is the ICI Group's policy to abide by the terms of payment.

The company's policy in relation to the payment of its creditors is to settle its terms of payment with each creditor when agreeing the terms of each business transaction. The creditor is made aware of the terms which may be varied subsequently by agreement. It is company practice to abide by the agreed terms of payment.

The number of days billings from suppliers outstanding at the end of the year was equal to 67 days of average supplier invoices throughout the whole year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit PLC as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Mrs L Hughes
Company Secretary

Date: 15 October 1999

CROSFIELD LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF CROSFIELD LIMITED

We have audited the financial statements on pages 7 to 18.

Respective Responsibilities of Directors and Auditors

As described on page 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures in the financial statements concerning the mothballed A24 Zeolite plant that is included in tangible fixed assets at a net book value of £17m. Recoverability of this amount is dependent upon returning the plant to profitable production, which in turn, is subject to the development by the company of new non-detergent markets for A24 Zeolite and obtaining new customer demand in the detergent sector. If sufficient net cash flows from new sales were not generated, then a provision would be required to reduce the carrying value of the plant to its recoverable amount. Details of the circumstances surrounding this fundamental uncertainty are described in note 8. In view of the significance of this uncertainty, we consider that it should be brought to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit PLC
KPMG Audit PLC
Chartered Accountants
Registered Auditor
Liverpool

25 October 1999

CROSFIELD LIMITED
PROFIT AND LOSS ACCOUNT – YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £'000	1997 £'000
Turnover	(1)	46,263	56,646
Cost of sales		<u>(36,276)</u>	<u>(34,884)</u>
Gross profit		9,987	21,762
Distribution costs		(1,683)	(1,440)
Administrative expenses		(14,440)	(19,312)
Other operating income	(8)	<u>5,514</u>	<u>6,865</u>
Operating (loss) / profit – continuing operations	(2)	(622)	7,875
Exceptional item:– Costs of fundamental re-organisation – Continuing operations		(9,500)	-
Net interest payable and similar other items	(3)	<u>(3,428)</u>	<u>(1,643)</u>
(Loss) / profit on ordinary activities before taxation		(13,550)	6,232
Taxation credit / (chage) on (loss) / profit on ordinary activities	(4)	<u>5,655</u>	<u>(1,704)</u>
(Loss) / profit for the financial year		(7,895)	4,528
Dividends on equity shares	(5)	—	<u>(19,131)</u>
(Loss) for the year retained		(7,895)	(14,603)
Profit retained 1 January	(14)	<u>4,528</u>	<u>19,131</u>
(Loss) / profit retained 31 December	(14)	<u>(3,367)</u>	<u>4,528</u>

Note: There are no recognised gains or losses for each financial year other than those disclosed above.


The notes on pages 11 to 18 form part of these accounts.

CROSFIELD LIMITED
BALANCE SHEET - 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>£'000</u>	<u>1997</u> <u>£'000</u>	<u>£'000</u>
Fixed assets					
Tangible assets	(8)		43,086		47,631
Current assets					
Stocks	(9)	7,682		9,287	
Debtors	(10)	17,072		15,527	
Cash at bank and in hand		<u>685</u>		<u>988</u>	
		25,439		25,802	
Creditors: amounts falling due within one year:					
Other	(11)	(9,985)		(12,686)	
Indebtedness with parent company		<u>(41,152)</u>		<u>(41,537)</u>	
		<u>(51,137)</u>		<u>(54,223)</u>	
Net current liabilities			<u>(25,698)</u>		<u>(28,421)</u>
Total assets less current liabilities			17,388		19,210
Provision for liabilities and charges	(12)		<u>(14,355)</u>		<u>(8,282)</u>
Net assets			<u>3,033</u>		<u>10,928</u>
Capital and reserves					
Called up share capital	(13)	3,005		3,005	
Share premium account	(14)	3,395		3,395	
Profit and loss account	(14)	<u>(3,367)</u>		<u>4,528</u>	
Equity shareholders' funds	(14)		<u>3,033</u>		<u>10,928</u>

These financial statements have been approved by the Board of directors on 15 October 1999 and were signed on its behalf by:

W R Griffiths – Director



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The notes on pages 11 to 18 form part of these accounts.

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards in the UK. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

The company is a wholly owned subsidiary of Imperial Chemical Industries PLC and the cash flows of the company are included in the published consolidated cash flow statement of Imperial Chemical Industries PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 (revised 1996) from publishing a cash flow statement.

TANGIBLE FIXED ASSETS: Are stated at cost less depreciation.

DEPRECIATION: Freehold and leasehold land is not depreciated. Depreciation on other tangible fixed assets is provided by the straight-line method at percentages of original cost (less estimated residual value) related to the expected average life of the assets. The major classes of depreciable assets with their estimated useful lives are summarised below: the spread of lives recognises the diversity of the assets within each class:-

Freehold buildings	40	years
Leasehold buildings	40	years
Plant and machinery	17	years
Motor vehicles	4-6	years

GOVERNMENT GRANTS: Grants related to tangible fixed assets are credited to revenue over the expected useful life of the asset.

TAXATION: The charge for taxation is based on the profit for the year and takes into account taxation deferred between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

STOCKS: Stocks are consistently stated on the basis of the lower of cost and net realisable value. Cost, mainly averaged cost, includes direct expenditure and an appropriate proportion of overheads.

LEASES: Lease rental payments in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term, except in cases where another systematic and rational basis is more appropriate.

RESEARCH AND DEVELOPMENT: Expenditure on Research and Development of new products is charged against profits of the year in which it is incurred.

FOREIGN CURRENCIES: Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or if hedged forward, at the rate of exchange under the related forward currency contract). Monetary assets and liabilities

denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains, or losses on translation are included in the profit and loss account.

PENSIONS: The company's eligible employees are members of the ICI Specialty Chemicals Pension Fund. This is a contracted out defined benefit scheme that is funded by the company and employee contributions. Company contributions, which normally represent the charge for the year, are determined on an actuarial basis so that the annual charge is a substantially level percentage of current and expected future pensionable payroll. Further details of the fund are set out in the annual accounts of Imperial Chemical Industries PLC.

The level of contribution is based on pension costs across the Group and is assessed on the advice of qualified third party actuaries. Company contributions currently stand at 12.7% of pensionable pay. The first formal actuarial valuation took place on 31 March 1999, the first anniversary of the fund's inception.

The capital costs of unfunded retirement benefits for employees retiring before normal retiring age are paid to the ICI Specialty Chemicals Pension Fund which accepts responsibility for payment of the benefits to the former employees. The capital costs are charged to the profit and loss account in the year in which the decision to retire an employee before normal retirement age is made.

EMPLOYEE SHARE OPTION SCHEME: ICI operates a share option scheme for directors and senior staff (Senior Staff Scheme) and another scheme for all UK employees meeting minimum service requirements (Sharesave Scheme). Under the Sharesave Scheme the maximum number of shares made available for issue under option during a 10 year period is 5% of the company's ordinary share capital in issue on 24 March 1994. Shares required for the senior staff scheme are purchased in the market by a trust.

The prices at which options under the senior staff scheme are granted must not be less than the nominal value of an ordinary share, nor less than the average of the middle market quotations of ICI Ordinary Shares on the London Stock Exchange on the five business days immediately preceding the date on which the option is offered. Options under this scheme expire after ten years.

Under the sharesave scheme the price at which options are granted, must not be less than the greater of the nominal value of an ordinary share, or 80% of the average market value of an Ordinary Share on the three dealing days preceding the day on which the offer of options is made.

CROSFIELD LIMITED
NOTES TO THE ACCOUNTS – 31 DECEMBER 1998
NOTES TO THE PROFIT AND LOSS ACCOUNT

(1) TURNOVER

The turnover is from continuing operations. It includes ICI Group sales of £2.3m (1997 £2.3m) and represents sales at invoice value, excluding value-added tax.

The geographical analysis of turnover is as follows.

	<u>1998</u> <u>£m</u>	<u>1997</u> <u>£m</u>
United Kingdom	16.3	18.3
Europe	18.2	21.2
Rest of the World	<u>11.8</u>	<u>17.2</u>
	<u>46.3</u>	<u>56.7</u>

(2) OPERATING (LOSS) / PROFIT

The operating (loss) / profit is arrived at after charging the following amounts.

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Wages and salaries	13,683	13,811
Social security costs	1,027	1,067
Pension costs – group defined benefit scheme	<u>1,615</u>	<u>831</u>
Total Staff Costs	<u>16,325</u>	<u>15,709</u>
Depreciation	4,073	4,218
Auditors' remuneration for audit	17	13
Remuneration of the company's auditors and their associates for provision of non-audit services	18	94
Research and Development	3,421	2,934
Fixed assets written-off (Y Zeolite plant)	2,006	-

CROSFIELD LIMITED
NOTES TO THE ACCOUNTS – 31 DECEMBER 1998
NOTES TO THE PROFIT AND LOSS ACCOUNT

(3) NET INTEREST PAYABLE AND OTHER SIMILAR ITEMS

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Interest receivable and similar income – other group undertakings	71	45
Interest receivable and similar income – external	<u>1</u>	–
Total interest receivable	<u>72</u>	<u>45</u>
Interest payable and similar charges – other group undertakings	(3,500)	(1,688)
Total interest payable and similar charges	(3,500)	(1,688)
Total	(3,428)	(1,643)

(4) TAXATION ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

The (charges) / credit for taxation is made up as follows.

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
On the (loss) / profit of the year:-		
UK Corporation Tax at 31%	1,960	(1,703)
Non-UK Tax	(72)	–
Deferred Taxation	<u>3,337</u>	<u>(1)</u>
Prior year items:-	5,225	(1,704)
UK Corporation Tax	<u>430</u>	–
	<u>5,655</u>	<u>(1,704)</u>

The tax credit / (charge) for the year has been increased / decreased by the effect of accelerated capital allowances of £350,000 (1997 £744,000) and other timing differences of £2,987,000 (1997 (£745,000)).

CROSFIELD LIMITED
NOTES TO THE ACCOUNTS – 31 DECEMBER 1998
NOTES TO THE PROFIT AND LOSS ACCOUNT

(5) DIVIDENDS AND OTHER APPROPRIATION

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Dividends paid	-	19,131

(6) DIRECTORS' EMOLUMENTS

The directors including the Chairman are employed as managers by the Imperial Chemical Industries Group and they are remunerated by that company in respect of their services to the Group as a whole. Their emoluments are dealt with in the Group accounts and they receive no emoluments from the company.

Crosfield Limited benefited from the services of directors and certain employees who were employed by ICI during the course of the year. The cost of these services is included within administrative expenses.

(7) EMPLOYEES' INFORMATION

The average number of employees employed by the company during the year is analysed below.

	<u>1998</u>	<u>1997</u>
Production	291	298
Selling, Distribution and Administration	<u>219</u>	<u>223</u>
	<u>510</u>	<u>521</u>

CROSFIELD LIMITED
NOTES TO THE ACCOUNTS – 31 DECEMBER 1998
NOTES TO THE BALANCE SHEET

(8) TANGIBLE FIXED ASSETS

	<u>Land and Buildings</u> <u>£'000</u>	<u>Plant and Machinery</u> <u>£'000</u>	<u>Motor Vehicles</u> <u>£'000</u>	<u>Assets in course of construction</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<u>Cost</u>					
1 January	12,773	68,870	1,319	1,714	84,676
Additions at cost	2	565	250	1,952	2,769
Amounts written off	-	(4,747)	-	-	(4,747)
Transfers between categories	316	571	-	(887)	-
Disposals	<u>(60)</u>	<u>(2,482)</u>	<u>(387)</u>	<u>-</u>	<u>(2,929)</u>
31 December	<u>13,031</u>	<u>62,777</u>	<u>1,182</u>	<u>2,779</u>	<u>79,769</u>
<u>Depreciation</u>					
1 January	3,467	32,881	697	-	37,045
Amounts written off	-	(2,741)	-	-	(2,741)
Depreciation charge for the year	296	3,579	198	-	4,073
Disposals	<u>(5)</u>	<u>(1,379)</u>	<u>(310)</u>	<u>-</u>	<u>(1,694)</u>
31 December	<u>3,758</u>	<u>32,340</u>	<u>585</u>	<u>-</u>	<u>36,683</u>
<u>Net Book Value</u>					
1 January	<u>9,306</u>	<u>35,989</u>	<u>622</u>	<u>1,714</u>	<u>47,631</u>
31 December	<u>9,273</u>	<u>30,437</u>	<u>597</u>	<u>2,779</u>	<u>43,086</u>

The net book value of land and buildings comprises.

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Buildings: Freehold	8,593	8,566
Land: Freehold	619	679
Leasehold – long-term (50 years and over)	<u>61</u>	<u>61</u>
	<u>9,273</u>	<u>9,306</u>
Capital commitments		
Contracted for	84	76

CROSFIELD LIMITED
NOTES TO THE ACCOUNTS – 31 DECEMBER 1998
NOTES TO THE BALANCE SHEET

The A24 Zeolite plant in Warrington UK was mothballed in October 1996 as part of a plant rationalisation programme following a decline in demand. The A24 Zeolite plant is included in fixed assets at a net book value of approximately £17m. The recoverability of this amount is dependent upon returning the plant to profitable production which in turn is subject to the Crosfield Group obtaining new customer demand for detergent zeolites. If sufficient net cash flows from new sales are not generated then a provision would be required to reduce the carrying value of the plant to its recoverable amount.

Whilst the directors acknowledge these uncertainties, they believe that new sales and net cash flows will be generated in future to justify the re-opening of the UK plant and its present carrying value.

Other operating income includes an amount of £3.8m (1997 £5.3m) representing payments in lieu of sales received from Crosfield BV in connection with the closure of the A24 plant. In the prior year accounts this income was included within turnover. The 1997 comparative has been restated accordingly for comparison purposes.

(9) STOCKS

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Raw materials and consumables	1,777	2,822
Work in progress	279	743
Finished goods and other stocks	<u>5,626</u>	<u>5,722</u>
Total Stocks	<u>7,682</u>	<u>9,287</u>

(10) DEBTORS

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Amounts due within one year		
Trade debtors	8,314	9,727
Amounts owed by group undertakings	5,625	4,553
Group relief receivable	1,960	-
Other debtors	863	1,124
Prepayments and accrued income	<u>310</u>	<u>123</u>
Total Debtors	<u>17,072</u>	<u>15,527</u>

CROSFIELD LIMITED
NOTES TO THE ACCOUNTS – 31 DECEMBER 1998
NOTES TO THE BALANCE SHEET

11. CREDITORS

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Amounts due within one year		
Bank loans and overdrafts – unsecured	394	2,446
Trade creditors	6,832	6,212
Amounts owed to group undertakings	1,205	1,393
Corporation tax	343	1,543
Social security	416	493
Other creditors	<u>795</u>	<u>599</u>
Total other creditors	<u>9,985</u>	<u>12,686</u>

(12) PROVISION FOR LIABILITIES AND CHARGES

	<u>Deferred</u> <u>Taxation</u> <u>£'000</u>	<u>Restructuring</u> <u>£'000</u>	<u>Others</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 January	8,192	60	30	8,282
Charged / (credited) to profit and loss	<u>(3,337)</u>	<u>9,440</u>	<u>(30)</u>	<u>6,073</u>
At 31 December	<u>4,855</u>	<u>9,500</u>	<u>-</u>	<u>14,355</u>

The amounts provided for deferred taxation are set out below.

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Difference between accumulated depreciation and capital allowances	7,831	8,181
Other timing differences	<u>(2,976)</u>	<u>11</u>
	<u>4,855</u>	<u>8,192</u>

(13) CALLED-UP SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and Fully Paid</u>	
	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Ordinary Shares of £1 each	10,000	10,000	3,005	3,005

CROSFIELD LIMITED
NOTES TO THE ACCOUNTS – 31 DECEMBER 1998
NOTES TO THE BALANCE SHEET

The company's ultimate parent company is Imperial Chemical Industries PLC which is incorporated in Great Britain and registered in England. Copies of Group accounts are available from Imperial Chemical House Millbank London SW1P 3JF.

(14) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
(Loss) / profit for the financial year	(7,895)	4,528
Dividends	—	(19,131)
Net reduction in shareholders' funds	(7,895)	(14,603)
Opening shareholders' funds	<u>10,928</u>	<u>25,531</u>
Closing shareholders' funds	<u>3,033</u>	<u>10,928</u>

RESERVES

	<u>Share</u> <u>Premium</u> <u>Account</u>	<u>Profit & Loss</u> <u>Account</u>	<u>Total</u>
At 1 January 1998	3,395	4,528	7,923
Retained (loss) for the year	—	(7,895)	(7,895)
At 31 December 1998	<u>3,395</u>	<u>(3,367)</u>	<u>28</u>

(15) CONTINGENT LIABILITIES

No provision has been made against claims and legal action arising in the ordinary course of business where their outcome cannot be predicted with reasonable certainty.

The company has entered into various guarantees with third parties in the ordinary course of business. As at 31 December 1998 guarantees entered into amounted to £335,000.

CROSFIELD LIMITED
NOTES TO THE ACCOUNTS – 31 DECEMBER 1998
NOTES TO THE BALANCE SHEET

(16) RELATED PARTY TRANSACTIONS

The ultimate parent company and controlling party is Imperial Chemical Industries PLC and the immediate holding company is Mortar Investments UK Limited. As 100% of the company's voting rights are controlled within the group headed by Imperial Chemical Industries PLC, the company has not disclosed transactions with fellow subsidiaries in accordance with the exemption under the terms of Financial Reporting Standard No 8.