

Linatex Limited
(Registered Number: 246713)

Directors' Report and Accounts

31 December 2002



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Linatex Limited

Directors' Report for the Year Ended 31 December 2002

The directors submit their report and financial statements for the financial year ended 31 December 2002.

Directors

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

P D Brown	
A Wright	(resigned 22 October 2003)
N Macleod	(appointed 22 October 2003)
B Taylorson	(appointed 22 March 2002)
G McClatchy	(appointed 23 July 2002)
G R Fairweather	(resigned 22 March 2002)
M Pugh	(resigned 16 July 2002)

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and business review

The results for the year ended 31 December 2002 and the state of affairs of the Company at that date are set out in the annexed accounts.

The main activities of the Company continue to be the manufacture and distribution of high performance industrial rubber products and solids – liquids separation systems for mineral slurries.

In December 2000, a light aircraft crashed into the manufacturing facility at Yateley, Hampshire, causing substantial damage and interruption to production. During 2002, the company received £nil (2001: £495,000) in respect of insurance recovery for this business interruption which

Linatex Limited

Directors' Report for the Year Ended 31 December 2002 (Continued)

was classified as exceptional income in the profit and loss account.

Restructuring costs were incurred by the Company this year as follows:

On 5th June 2002 Linatex Limited announced the closure of the Phoenix office. The costs associated with the closure of the Phoenix office amounted to £47,417.

On 16th October 2002 Linatex Limited announced the closure of the Gent office in Belgium. The cost for the closure of the Gent office amounted to £105,972.

During the year Linatex Limited incurred £72,468 for a manufacturing process review on behalf of the Linatex group.

Dividends

The directors do not recommend the payment of a dividend for the year (2001 - £Nil).

Directors' interests

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

As at 31 December 2002, P D Brown and B Taylorson were also directors of Elementis plc, the Company's ultimate parent company and their interests (and those of their families) in the share capital of Elementis plc, are disclosed in the annual report and accounts of that company for the year ended 31 December 2002.

Directors' interests in the share capital of Elementis plc for the other directors at the year end, during the year were as follows.

Name of Director	Ordinary Shares Under Option				Note
	Elementis plc				
	5p shares	During the year		At	
	1.1.02 or date of appointment	Granted	Lapsed	31.12.02	
A Wright	-	34,671	-	34,671	(1)
	-	51,460	-	51,460	(2)
G McClatchy	238,665	92,958	-	331,623	(2)

Linatex Limited

Directors' Report for the Year Ended 31 December 2002 (Continued)

- 1) Options granted under the Elementis Group Savings Related Share Option Schemes are exercisable after three years from the date of grant at a price of 21.92 pence per share.
- 2) Options granted under the Elementis Group Executive Share Option Schemes are exercisable between three and ten years from the date of grant at a price in the range of 97.9 pence to 29.0 pence per share.

Employment of disabled persons

The policy adopted regarding disabled persons is to encourage their employment by considering suitable applications. No restrictions are placed on their training, career development or promotion, and individuals are encouraged to apply for duties which they are capable of performing. Employees of the Company who become disabled are allowed to continue employment in their current position or in suitable alternative employment with appropriate training.

Employee involvement

The Company recognises the benefit of employee involvement by way of regular discussion meetings. Information is provided on a regular basis indicating the performance of the Company.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 23 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The Company has passed an elective Resolution pursuant to section 386 of the Companies Act 1985, dispensing with the obligation to appoint auditors annually.

By order of the Board



P.D. Brown
Secretary
24th October 2003

Registered Office:
Elementis House,
56 Kingston Road
Staines, TW18 4ES

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Independent auditors' report to the members of Linatex Limited

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
24 October 2003

Linatex Limited

Profit and Loss Account For the Year Ended 31 December 2002

		2002	2001
		£'000	Restated £'000
	Note		
Turnover	2	7,757	9,456
Cost of sales		(5,031)	(6,421)
Gross profit		2,726	3,035
Distribution costs		(583)	(609)
Administrative expenses		(3,788)	(3,985)
Other operating income		-	495
Operating loss		(1,645)	(1,064)
Income from group undertakings		-	1,017
Loss on ordinary activities before interest	3	(1,645)	(47)
Net interest payable	5	-	(104)
Loss on ordinary activities before taxation		(1,645)	(151)
Taxation on loss on ordinary activities	6	413	326
(Loss)/profit for the financial year transferred (from)/to reserves	16	(1,232)	175

All amounts above relate to continuing operations.

The notes on pages 7 to 18 form part of these financial statements.

Statement of Total Recognised Gains and Losses for the year ended 31 December 2002

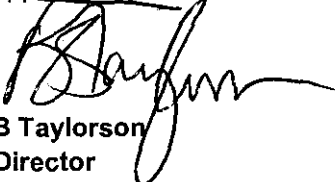
	2002	2001
	£000	Restated £000
(Loss)/profit for the financial year	(1,232)	175
Prior year adjustment	1,027	
Losses recognised since last Report and Accounts	(205)	

Linatex Limited

Balance Sheet as at 31 December 2002

	Note	2002		2001	
		£'000	£'000	Restated £'000	Restated £'000
Fixed assets					
Goodwill	7	334		353	
Tangible assets	8	3,510		3,856	
Investments	9	3,926		3,926	
			7,770		8,135
Current assets					
Stocks	10	1,042		1,190	
Debtors	11	5,445		5,664	
Cash on hand		798		-	
		7,285		6,854	
Current liabilities					
Creditors: amounts falling due within one year	12	(14,148)		(12,843)	
Net current liabilities			(6,863)		(5,989)
Total assets less current liabilities			907		2,146
Provisions for liabilities and charges	13		(32)		(39)
			875		2,107
Capital and reserves					
Called up share capital	15		250		250
Profit and loss account	16		625		1,857
Equity shareholders' funds	17		875		2,107

Approved by the Board on 24th October 2003


B Taylorson
 Director

The notes on pages 7 to 18 form part of these financial statements.

Linatex Limited

Notes to the accounts - 31 December 2002

1 Accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards, which are unchanged from the previous year, with the exception of pension costs following the adoption of FRS17 'Retirement Benefits' and taxation following the adoption of FRS19 'Deferred Taxation'. The effect of these changes in accounting policy are set out in note 25.

Consolidated accounts are not prepared as the Company is a wholly owned subsidiary.

(b) Deferred tax

Deferred tax is provided using the full provision method following the Company's adoption of FRS 19. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future. Resultant deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Previously, deferred tax was provided on the liability method to the extent that it was probable that an asset or liability will crystallise in the foreseeable future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(c) Exchange rates

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

(d) Depreciation

Freehold land is not depreciated.

Freehold buildings, plant and machinery, vehicles, and fixtures, fittings and equipment are depreciated over their estimated useful economic lives on a straight line basis. Estimated useful lives of these assets are:

Buildings	30 – 50 years
Plant and machinery	4 – 20 years
Vehicles	4 – 5 years
Fixtures, fittings and equipment	3 – 10 years

Linatex Limited

Notes to the accounts - 31 December 2002

1 Accounting policies (Continued)

(e) Leased assets

Assets acquired under finance leases are treated as if they had been purchased and an amount equivalent to their costs is included within tangible fixed assets and depreciation provided accordingly. The deemed capital element of future lease payments is included under loans; interest calculated on the reducing balance basis is included in interest payable. Rental costs in respect of operating leases are charged against profit before interest as they arise.

(f) Intangible assets

Expenditure on research, development, patents and trade marks is written off through the profit and loss account in the year it is incurred.

Goodwill arising on acquisitions is capitalised in the balance sheet and then amortised through the profit and loss account over its estimated useful life, up to a maximum of 20 years.

(g) Stocks

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

(h) Pensions

The Company participates in the Elementis Group defined benefit pension scheme. The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and accordingly the Company has treated the scheme as a defined contribution scheme and has recognised only the contributions payable for the year.

Linatex Limited

Notes to the accounts - 31 December 2002

2 Turnover and segmental information

Turnover, which originates in the United Kingdom, represents the invoiced value of goods sold and services rendered to third parties excluding VAT.

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

Analysis of turnover by geographical markets:	2002 £'000	2001 £'000
Europe	7,757	9,366
North America	-	30
Rest of World	-	60
	7,757	9,456

3 Loss on ordinary activities before interest

Loss on ordinary activities before interest is stated after charging:	2002 £'000	2001 £'000
Staff costs (inc. directors)		
Wages and salaries	2,524	2,325
Social security costs	326	323
Other pension costs	309	283
Goodwill amortisation	19	19
Depreciation	376	450
Hire charges for plant and machinery	15	12
Hire charges for other assets	146	177
Auditors' remuneration	22	19
Group management charges/(refund)	30	(696)
Restructuring expenses	225	333

Details of the current year restructuring expenses are included in the Directors' report.

Linatex Limited

Notes to the accounts - 31 December 2002

4 Staff numbers and directors' emoluments

	2002	2001
	£'000	£'000
Directors' emoluments:		
Aggregate emoluments	208	248
Compensation for loss of office	68	-

The aggregate emoluments of the highest paid director, excluding pension contributions, were £78,416 (2001: £130,593). The accrued pension entitlement of this director was £nil (2001 - £9,096).

The number of directors who exercised share options in the year was nil (2001 - nil).

Retirement benefits are accruing to one director (2001 - two) under a defined benefit scheme.

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

Mr M Pugh resigned as a Director on 16 July 2002 and his contracts of employment with the company were terminated on that date. Under the terms of his contract he has been paid £68,138.

The average number of employees during the year was 84 (2001 - 89).

5 Net interest payable

	2002	2001
	£'000	£'000
Interest payable in respect of amounts owed to group undertakings	-	104

Linatex Limited

Notes to the accounts - 31 December 2002

6 Taxation on loss on ordinary activities

	2002 £'000	Restated 2001 £'000
Current tax		
UK corporation tax on loss for the period	229	126
Deferred tax		
Origination and reversal of timing differences (ACA and other)	184	200
Tax on loss on ordinary activities	413	326

The tax credit assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £'000	Restated 2001 £'000
Loss on ordinary activities before tax	(1,645)	(151)
Loss on ordinary activities multiplied by standard rate in the UK 30% (2001 - 30%)	494	45
Effects of:		
Accelerated capital allowances and other timing differences	(184)	(200)
Expenses not deductible for tax purposes	(81)	29
Current tax credit for the period	229	126

Linatex Limited

Notes to the accounts - 31 December 2002

7 Goodwill

	£'000
Cost	
At 1 January 2002 and 31 December 2002	385
Amortisation	
At 1 January 2002	32
Charge for the year	19
At 31 December 2002	51
Net book value	
At 31 December 2002	334
At 31 December 2001	353

8 Tangible assets

	Freehold Land	Freehold Buildings	Plant & Machinery	Fixtures, Fittings & Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2002	862	2,177	2,575	156	5,770
Additions	-	-	33	-	33
Disposals	-	-	(671)	(18)	(689)
At 31 December 2002	862	2,177	1,937	138	5,114
Depreciation:					
At 1 January 2002	-	244	1,568	102	1,914
Charge for the year	-	43	330	3	376
Disposals	-	-	(671)	(15)	(686)
At 31 December 2002	-	287	1,227	90	1,604
Net book value:					
At 31 December 2002	862	1,890	710	48	3,510
At 31 December 2001	862	1,933	1,007	54	3,856

Linatex Limited

Notes to the accounts - 31 December 2002

9 Investments

Shares in subsidiary undertakings	£'000
At 1 January 2002 and 31 December 2002	3,926

Principal investments in subsidiary undertakings are as follows:

Name of Subsidiary Undertaking	Nature of Business	Country of Incorporation	Proportion of Equity Held
Linatex Africa (Pty) Ltd	Rubber Engineers	South Africa	100%
Wilkinmark Limited	Holders of Trade Marks	England and Wales	100%
W P R Marks Limited	Holders of Trade Marks	England and Wales	100%
Linatex Rubber Limited	Investment Company	England and Wales	100%

In the opinion of the directors, the value of investments is not less than the value at which they are included in the balance sheet.

10 Stocks

	2002	2001
	£'000	£'000
Work in progress	76	151
Finished goods and goods for resale	966	1,039
	1,042	1,190

11 Debtors

	2002	Restated 2001
	£'000	£'000
Trade debtors	1,525	1,820
Amounts due from group undertakings	1,432	1,670
Corporation tax receivable	1,454	1,225
Deferred tax (note 18)	318	134
Other debtors	498	748
Prepayments and accrued income	218	67
	5,445	5,664

Linatex Limited

Notes to the accounts - 31 December 2002

12 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank overdraft	-	3,058
Trade creditors	652	767
Amounts due to group undertakings	13,228	8,557
Accruals and deferred income	268	461
	14,148	12,843

13 Provisions for liabilities and charges

	Pensions £'000	Self Insurance £'000	Total £'000
As reported	893	39	932
Prior year adjustment	(893)	-	(893)
At 1 January 2002 restated	-	39	39
Utilised during the period	-	(7)	(7)
At 31 December 2002	-	32	32

14 Pensions

The Company participates in the Elementis Group UK pension scheme, which is a multi-employer scheme and as such it is not possible to separately identify the assets and liabilities relating to the Company's employees. Full disclosure in line with the requirements of FRS 17 may be found in the consolidated financial statements of the Company's parent company, Elementis plc.

A full actuarial valuation was carried out for the Elementis Group UK scheme at 30 September 2002. The actuaries updated the valuations to 31 December 2002.

At 31 December 2002 the net pension liability in the Group scheme was £39.8 million (2001: £7.8 million).

Total employer contributions to the Group scheme for 2002 were £4.2 million (2001: £0.2 million). Contributions in 2003 are expected to be £9.1 million.

The Company contribution for the year ended 31 December 2002 was £0.3 million.

The Company has no prepaid/outstanding contributions at 31 December 2002 (2001: £nil).

Linatex Limited

Notes to the accounts - 31 December 2002

15 Called up share capital

	2002 £'000	2001 £'000
Authorised, allotted and fully paid:		
250,000 Ordinary shares of £1 each	250	250

16 Reserves

	Profit and loss account £'000
As reported	830
Prior year adjustment	1,027
At 1 January 2002 restated	1,857
Loss for the financial year	(1,232)
At 31 December 2002	625

17 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(1,232)	175
Net (decrease)/increase in shareholders' funds	(1,232)	175
Opening shareholders' funds as previously reported	1,080	1,105
Prior year adjustment (see note 25)	1,027	827
Opening shareholders' funds restated	2,107	1,932
Closing shareholders' funds	875	2,107

All closing shareholders' funds are attributable to equity interests.

Linatex Limited

Notes to the accounts - 31 December 2002

18 Deferred tax

	£'000
At 1 January 2002 as reported	-
Prior year adjustment	134
At 1 January as restated	134
Credit to the profit and loss account	184
At 31 December 2002	318

The provision for deferred tax comprises:

	2002	2001
	£'000	Restated £000
Accelerated capital allowances	308	122
Other timing differences	10	12
	318	134

19 Commitments

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

	2002	2001
	£'000	£'000
Leases terminating:		
Within one year	29	16
Between one and two years	27	32
Between two and five years	25	54
	81	102

Capital expenditure contracted but not provided for amounted to £nil (2001: £nil).

20 Contingent liabilities

The Company is a member of a Cash Management Scheme operated by a group undertaking, under which each company provides a guarantee to discharge the indebtedness of any other group company which is party to the Scheme, limited to the extent of its own cash balances within the scheme.

Linatex Limited

Notes to the accounts - 31 December 2002

21 Parent and ultimate parent undertaking

The Company's ultimate parent undertaking is Elementis plc. The Company's immediate parent undertaking is Elementis Holdings Limited.

Elementis plc, was the smallest and largest group to consolidate the financial statements of the Company. Copies of the consolidated financial statements for Elementis plc may be obtained from Elementis House, 56 Kingston Road, Staines, TW18 4ES.

22 Financial support from immediate parent undertaking

The Company has been informed that it is the intention of Elementis Holdings Limited to provide the financial support necessary to meet its current liabilities as they fall due.

23 Related party transactions

As the Company is a wholly owned subsidiary, advantage has been taken of the exemption afforded by FRS8 not to disclose any related party transactions with other members of the group or its associates and joint venture.

During the year a quasi loan of £40,048 to Martin Pugh subsisted. The quasi loan related to delayed repayment of corporate credit card transactions. This amount was repaid during the year.

24 Cash flow statement

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

Linatex Limited

Notes to the accounts - 31 December 2002

25 Prior year adjustments

The prior year adjustments are as a result of adopting FRS17 'Retirement Benefits' and FRS19 'Deferred Tax' during the year. The effect of these is set out below:

Year ended 31 December 2002				
	Without changes in accounting policies £'000	Adoption of FRS17 £'000	Adoption of FRS19 £'000	As reported £'000
Profit and loss account:				
Tax on loss on ordinary activities	900	(87)	(400)	413
Loss for the financial year	(745)	(87)	(400)	(1,232)
Balance Sheet:				
Provisions for liabilities and charges	(1,214)	1,182	-	(32)
Debtors	5,798	(353)	-	5,445
Creditors	(13,859)	(289)	-	(14,148)
Shareholders' funds at 1 January	1,080	627	400	2,107
Shareholders' funds at 31 December	335	540	-	875

Year ended 31 December 2001				
	Without changes in accounting policies £'000	Adoption of FRS17 £'000	Adoption of FRS19 £'000	As reported £'000
Profit and loss account:				
Tax on loss on ordinary activities	126	(74)	274	326
Profit for the financial year	(25)	(74)	274	175
Balance Sheet:				
Provisions for liabilities and charges	(932)	893	-	(39)
Debtors	5,530	(268)	402	5,664
Shareholders' funds at 1 January	1,105	699	128	1,932
Shareholders' funds at 31 December	1,080	627	400	2,107