

LINATEX LIMITED
(Registered Number 246713)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1997



LINATEX LIMITED
(REGISTERED NUMBER 246713)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The directors submit their report and financial statements for the year ended 31 December 1997.

DIRECTORS

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

A Peake	- Chairman
N Liptrot	
R G Constable	- (resigned 31 January 1997)

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 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 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 1997 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.

The 1997 trading profits were considerably up on the previous year, due mainly to improved cost control and overhead reductions.

Further restructuring took place during the year as part of integrating the European activities of the Linatex Group. Restructuring costs of £275,571 were charged during the year.

DIVIDENDS

The directors recommend the payment of a dividend for the year of £4,671,000 (1996-Nil)

LINATEX LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

DIRECTORS' INTERESTS

In Shares, Options & Loan Notes

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

Directors' interests in shares and options in Harrisons & Crosfield plc, now Elementis Holdings Limited.

Name of director	25p Ord. shares Beneficial		25p Ord. shares Under option				See note below	
	-----		-----					
	at 1.1.97	at 31.12.97	at 1.1.97	During the year Granted Exercised		at 31.12.96		
A.Peake	472	794	165,703	-	-	165,703	(1)	
			15,191	-	-	15,191	(2)	
			13,518	14,166	-	27,684	(3)	
N.Liptrot	244	464	3,445	-	-	3,445	(2)	

1). Options granted under the Harrisons & Crosfield Group Share Option Scheme 1987 for executives are exercisable between three and ten years from the date of grant at a price in the range of 121.0 to 187.8 pence per share.

2). Options granted under the Harrisons & Crosfield Group Savings Related Share Option Scheme 1989 are exercisable after three, five or seven years from the date of grant at a price in the range of 113.2 to 124.0 pence per share.

3). Options granted under the Harrisons & Crosfield Group Performance Share Plan exercisable after the end of a three year performance period starting from the beginning of the year in which the grant was made at an option price of 1p subject to achievement of the performance targets.

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

The auditors, PricewaterhouseCoopers have indicated their willingness to continue in office 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.

On behalf of the Board

P.D. Brown
Secretary



15 October 1998

LINATEX LIMITED

AUDITORS' REPORT TO THE MEMBERS OF
LINATEX LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, 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 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
London

15 October 1998

LINATEX LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

		1997 £	1996 £
	Note		
TURNOVER	2	7,039,081	7,391,324
Cost of sales		(4,897,269)	(5,407,351)
GROSS PROFIT		2,141,812	1,983,973
Distribution costs		(158,347)	(180,569)
Administrative expenses		(1,843,403)	(2,037,494)
OPERATING PROFIT / (LOSS)		140,062	(234,090)
Profit/(loss) on disposal of fixed assets		11,000	(1,307)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST	3	151,062	(235,397)
Net Interest receivable	5	108,765	65,684
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		259,827	(169,713)
Taxation on profit on ordinary activities	6	(262,000)	376,069
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		(2,173)	206,356
Dividend on equity shares		(4,671,000)	-
NET (LOSS) / PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	15	(4,673,173)	206,356

There were no recognised gains or losses other than the loss for the financial year.

Turnover and profit before tax is derived from continuing operations

The notes on pages 6 to 14 form part of these accounts.

LINATEX LIMITED

BALANCE SHEET - 31 DECEMBER 1997

		£	1997 £	£	1996 £
	Note				
FIXED ASSETS					
Tangible assets	7	4,172,486		3,945,752	
Investments	8	3,030,208		3,030,208	
			7,202,694		6,975,960
CURRENT ASSETS					
Stocks	9	914,784		1,359,316	
Debtors	10	1,721,674		2,246,050	
Cash at bank and in hand	11	1,810,790		979,096	
		4,447,248		4,584,462	
CREDITORS					
Amounts falling due within one year	12	(9,222,699)		(4,477,827)	
NET CURRENT ASSETS			(4,775,451)		106,635
TOTAL ASSETS LESS CURRENT LIABILITIES					
			2,427,243		7,082,595
PROVISIONS FOR LIABILITIES AND CHARGES					
	13		(79,821)		(62,000)
			2,347,422		7,020,595
CAPITAL AND RESERVES					
Called up share capital	14		250,000		250,000
Profit and loss account	15		2,097,422		6,770,595
SHAREHOLDERS' FUNDS					
	16		2,347,422		7,020,595

APPROVED BY THE BOARD ON
15 October 1998

N Liptrot
Director

The notes on pages 6 to 14 form part of these accounts.

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997

1 ACCOUNTING POLICIES

a) Accounting convention

The financial statements have been prepared in accordance with generally accepted accounting principles and applicable accounting standards, which are unchanged from the previous year.

The accounts on pages 4 to 14 are prepared under the historical cost convention.

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

b) 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.

c) Depreciation

Freehold land is not depreciated.

Freehold buildings, plant and machinery, vehicles, and fixtures, fittings, tools 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

d) Leased assets

Assets acquired under finance leases are treated as if they had been purchased and an amount equivalent to their costs is included under 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

e) 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.

f) 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.

g) Deferred taxation

Deferred taxation is provided using the liability method in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that the liability is expected to be payable in the foreseeable future.

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

1 ACCOUNTING POLICIES (Continued)

h) Government grants

Grants against capital expenditure from government and other bodies are capitalised and released to profit and loss account over the period during which the relevant assets are depreciated.

i) Pensions

Contributions to The Harrisons & Crosfield Group Pension Scheme are assessed by a qualified actuary based on the cost of providing pensions across all participating Harrisons & Crosfield Group Companies. Costs are not determined for each individual company, hence contributions are charged to the profit and loss account in the period in respect of which they become payable.

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:

	1997	1996
	£	£
United Kingdom	5,835,578	5,876,582
Europe	978,180	949,021
Asia	133,390	437,427
North America	3,970	46,726
Australia	305	2,362
Rest of World	87,658	79,206
	-----	-----
	7,039,081	7,391,324
	-----	-----

3 PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST

Profit / (loss) on ordinary activities before interest is stated after charging :

	1997	1996
	£	£
Staff costs (inc directors)		
Wages and salaries	1,634,367	1,757,462
Social security costs	166,447	184,932
Other pension costs	117,272	131,606
Depreciation	221,364	196,184
Hire charges for plant and machinery	15,608	14,413
Hire charges for other assets	80,526	77,944
Auditors' remuneration	18,000	18,000
Group management charges	144,000	127,000
Central administrative expenses	385,437	409,934
Restructuring expenses	275,571	250,000
	-----	-----

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

4 STAFF NUMBERS AND COSTS

	1997	1996
	£	£
Directors' Emoluments :		
Aggregate Emoluments	65,110	112,552
Compensation for loss of office	69,381	-
	-----	-----
	134,491	112,552
	-----	-----

Retirement benefits are accruing to two directors (1996 - two) under a defined benefit scheme.

Certain directors have options over shares in the ultimate parent company, Harrisons & Crosfield plc, now Elementis Holdings Limited, details of which are given in the directors report.

The average number of employees during the year was 93 (1996 - 107)

5 NET INTEREST RECEIVABLE

	1997	1996
	£	£
Interest receivable in respect of:		
Cash at bank	99,850	66,990
Inland revenue refund	12,194	-
Interest payable in respect of:		
Bank loans and overdrafts	(3,279)	(1,306)
	-----	-----
	108,765	65,684
	-----	-----

6 TAXATION ON PROFITS ON ORDINARY ACTIVITIES

	1997	1996
	£	£
The charge for taxation comprises:		
Corporation tax charge at 31.50% (1996 credit - 33.0%)	190,000	(51,000)
Prior year adjustments	-	(325,069)
Deferred taxation	72,000	-
	-----	-----
	262,000	(376,069)
	-----	-----

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

7 TANGIBLE ASSETS

	Freehold Land £	Freehold Buildings £	Plant & Machinery £	Fixtures Fittings & Equipment £	Total £
Cost or valuation:					
At 31 December 1996	861,875	2,036,922	1,966,714	126,411	4,991,922
Additions	-	32,119	409,727	9,992	451,838
Disposals	-	-	(111,309)	(2,416)	(113,725)
	-----	-----	-----	-----	-----
At 31 December 1997	861,875	2,069,041	2,265,132	133,987	5,330,035
	-----	-----	-----	-----	-----
Depreciation:					
At 31 December 1996	-	27,158	997,481	21,531	1,046,170
Charge for the year	-	41,814	163,250	16,300	221,364
Disposals	-	-	(107,569)	(2,416)	(109,985)
	-----	-----	-----	-----	-----
At 31 December 1997	0	68,972	1,053,162	35,415	1,157,549
	-----	-----	-----	-----	-----
Net book value:					
At 31 December 1997	861,875	2,000,069	1,211,970	98,572	4,172,486
	-----	-----	-----	-----	-----
At 31 December 1996	861,875	2,009,764	969,233	104,880	3,945,752
	-----	-----	-----	-----	-----

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

8 INVESTMENTS

Subsidiary undertakings

	Shares in Subsidiary undertakings ----- £
At 31 December 1996 and at 31 December 1997	3,030,208 -----

Principal investments in subsidiary undertakings are as follows:

Name of Subsidiary Undertaking -----	Nature of Business -----	Country of Incorporation -----	Proportion of Equity Held -----
Abrasion Resistant Linings Ltd	Dormant	England and Wales	100%
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%

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.

9 STOCKS

	1997 £	1996 £
Raw materials, consumables and shipments in transit	235,700	289,841
Work in progress	73,321	48,729
Finished goods and goods for resale	605,763	1,020,746
	-----	-----
	914,784	1,359,316
	-----	-----

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

10 DEBTORS

	1997	1996
	£	£
Amounts falling due within one year:		
Trade debtors	1,292,358	1,375,921
Amounts due from group undertakings	212,534	455,740
Other debtors	5,484	4,442
Prepayments and accrued income	94,404	66,947
Corporation tax recoverable	116,894	343,000
	-----	-----
	1,721,674	2,246,050
	-----	-----

11 BORROWINGS

	1997	1996
	£	£
Borrowings repayable within one year:		
Bank borrowings unsecured	23,865	31,006
	-----	-----

12 CREDITORS

	1997	1996
	£	£
Amounts falling due within one year:		
Trade creditors	363,798	500,701
Amounts due to group undertakings	8,109,290	3,286,431
Other creditors	4,812	3,833
Other taxation and social security	90,192	40,317
Accruals and deferred income	654,607	396,545
Restructuring provision	-	250,000
	-----	-----
	9,222,699	4,477,827
	-----	-----

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £	Other £	Total £
At 1 January 1997	-	62,000	62,000
Utilised during the period	-	(66,969)	(66,969)
Transfers from profit and loss account	72,000	12,790	84,790
	-----	-----	-----
	72,000	7,821	79,821
	-----	-----	-----

The provision made for deferred taxation and the full potential liability is stated below:

	Provision made		Full potential liability	
	1997	1996	1997	1996
	£	£	£	£
Accelerated capital allowances	60,000	-	140,000	80,000
Other timing differences	12,000	-	(46,000)	(58,000)
Roll over relief	-	-	685,000	455,000
	-----	-----	-----	-----
	72,000	0	779,000	477,000
	-----	-----	-----	-----

The Company participates in The Harrisons & Crosfield Group Pension Scheme. This scheme is of the funded defined benefit type providing benefits to certain employees within the Harrisons & Crosfield Group, now Elementis Group, and the assets are held separately from the Group's assets.

The latest actuarial valuation of this scheme was carried out at 30 September 1997. Details of this valuation are contained in the financial statements of Harrisons & Crosfield plc, now Elementis Holdings Limited.

The total pension costs charged to profit and loss amounted to £117,272 (1996 - £131,606)

14 CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised, allotted and fully paid:		
250,000 Ordinary shares of £1 each	250,000	250,000
	-----	-----

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

15 RESERVES

	Profit and loss account £
At 1 January 1997	6,770,595
Retained loss for the financial year	(4,673,173)
At 31 December 1997	2,097,422

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year after taxation	(2,173)	206,356
Dividends	(4,671,000)	-
Net addition to shareholders funds	(4,673,173)	206,356
Opening shareholders' funds	7,020,595	6,814,239
Closing shareholders' funds	2,347,422	7,020,595

All closing shareholders' funds are attributable to equity interests.

17 COMMITMENTS

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

	Land and buildings		Other assets	
	1997	1996	1997	1996
	£	£	£	£
Leases terminating:				
Within one year	-	-	13,509	2,486
Between one and two years	-	-	14,017	16,314
Between two and five years	-	-	33,490	19,490
After five years	-	-	-	-
	-----	-----	-----	-----
	-	-	61,016	38,290
	-----	-----	-----	-----

Capital expenditure contracted but not provided for amounted to Nil (1996 - Nil)

LINATEX LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

18 CONTINGENT LIABILITIES

The Company is a member of a Cash Management Scheme operated by the ultimate parent 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.

19 PARENT AND ULTIMATE PARENT UNDERTAKINGS

The company's immediate and ultimate parent undertaking throughout the accounting period was Harrisons & Crosfield plc, now renamed Elementis Holdings Limited.

Harrisons & Crosfield plc, now renamed Elementis Holdings Limited, was the smallest and largest group to consolidate the financial statements of the Company. Copies of the consolidated financial statements for Elementis Holdings Limited, may be obtained from One Great Tower Street, London. EC3R 5AH.

Under a scheme of arrangement on 23 February 1998 Elementis plc, a new listed company, became the ultimate holding company.

20 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 ventures.

21 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). Accordingly the Company has taken advantage of the exemption available under FRS1 to dispense with presenting its own cash flow statement.