

**ELEMENTIS UK LIMITED**  
**Registered Number: 656457**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2001**



## **ELEMENTIS UK LIMITED**

### **Directors' report for the year ended 31 December 2001**

The directors submit their report and the audited financial statements for the year ended 31 December 2001.

#### **Directors**

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

PD Brown  
GR Fairweather

On 22 March 2002 GR Fairweather resigned and B Taylorson was appointed as a director of the Company.

#### **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
- 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 activity of the Company has been, and is expected to continue to be, to manufacture a range of organic and inorganic chemicals in the United Kingdom for sale worldwide.

The results for the year ended 31 December 2001 and the state of affairs of the Company at that date are set out in the annexed financial statements.

## **ELEMENTIS UK LIMITED**

### **Directors' report for the year ended 31 December 2001 (continued)**

#### **Dividends**

The company paid no dividends during the year (2000: £nil).

The directors do not recommend the payment of a final dividend (2000: £nil).

#### **Directors' interests in shares, options and loan notes**

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

All the directors were also directors of the Company's ultimate parent undertaking, Elementis plc, and their interests in its share capital are disclosed in the financial statements of that company.

#### **Employment communications and involvement**

It is Company policy to communicate with all employees on major matters to encourage them to take a wider interest in the affairs of the Company. This is done in a variety of ways including in-house newspapers, bulletins and briefing sessions. The Company operates a savings-related share option scheme allowing all UK employees an opportunity to become shareholders.

#### **Employment policies**

The Company is committed to the principle of equal opportunities in employment, regardless of a person's race, creed, colour, nationality, gender, age, marital status or disability. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the Company business.

These policies ensure that everyone is accorded equal opportunity for recruitment, training and promotion. Where an employee becomes disabled whilst employed by the Company, every effort is made to allow that person to continue in employment.

#### **Policy on payment of suppliers**

The Company applies a policy of agreeing payment terms with each of its major suppliers and abides by these terms, subject to satisfactory performance by the suppliers.

Trade creditors at the year end represented 44 days of purchases (2000: 48 days).

#### **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

  
K Williams  
Secretary

3 May 2002

Registered office:  
Ash House, Fairfield Avenue,  
Staines, TW18 4ES

**Independent auditors' report to the members of Elementis UK Limited**

We have audited the financial statements on pages 4 to 16 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**

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 on page 1.

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.

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.

**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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers, London  
Chartered Accountants and Registered Auditors

3 May 2002

# ELEMENTIS UK LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Note	2001 £ million	2000 £ million
<b>Turnover</b>	2	153.2	153.1
Cost of sales before exceptional items		(120.0)	(116.9)
Exceptional items	3	-	(1.1)
<b>Gross profit</b>		33.2	35.1
Distribution costs		(17.3)	(12.7)
Administrative expenses		(6.7)	(3.0)
Management charges		(2.1)	(5.2)
<b>Operating profit</b>		7.1	14.2
Income from investments in group undertakings		-	0.2
Write back of loan with group undertaking		-	2.1
Profit on disposal of investments in subsidiary undertakings		-	2.3
<b>Profit on ordinary activities before tax</b>	3	7.1	18.8
Tax on profit on ordinary activities	5	(2.8)	(5.2)
<b>Profit for the financial year</b>		4.3	13.6
Dividends		-	-
<b>Amount transferred to reserves</b>	15	4.3	13.6

Results are derived from continuing operations.

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

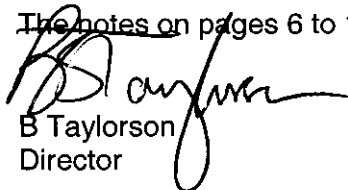
There is no difference between the results above and their historic cost equivalents.

The notes on pages 6 to 16 form part of these financial statements.

**ELEMENTIS UK LIMITED**  
**BALANCE SHEET**  
**at 31 December 2001**

	Note	2001 £ million	2000 £ million
<b>Fixed assets</b>			
Intangible assets	6	9.1	9.9
Tangible assets	7	57.0	60.1
Investments:			
Group undertakings	8	11.2	11.2
		<u>77.3</u>	<u>81.2</u>
<b>Current assets</b>			
Stocks	9	20.4	20.5
Debtors	10	32.4	32.9
Cash at bank and in hand		0.5	0.1
		<u>53.3</u>	<u>53.6</u>
<b>Creditors: amounts falling due within one year</b>			
Borrowings	11	2.7	5.0
Creditors	12	75.2	45.9
		<u>77.9</u>	<u>50.9</u>
<b>Net current (liabilities) / assets</b>		<u>(24.6)</u>	<u>2.7</u>
<b>Total assets less current liabilities</b>		<u>52.7</u>	<u>83.9</u>
<b>Creditors :amounts falling due after more than one year</b>			
Government grants		0.6	0.6
Amounts owed to group undertakings		-	37.7
		<u>0.6</u>	<u>38.3</u>
<b>Provisions for liabilities and charges</b>	13	7.7	5.6
		<u>8.3</u>	<u>43.9</u>
<b>Net assets</b>		<u>44.4</u>	<u>40.1</u>
<b>Capital and reserves</b>			
Called up share capital	14	26.5	26.5
Profit and loss account	15	17.9	13.6
<b>Shareholders' funds – equity</b>	16	<u>44.4</u>	<u>40.1</u>

The notes on pages 6 to 16 form part of these financial statements.

  
B Taylorson  
Director

Approved by the Board on 3 May 2002

## ELEMENTIS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001

#### 1 Accounting policies

##### *Basis of preparation*

The financial statements on pages 4 to 16 have been prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards. These are unchanged from the previous year.

Consolidated accounts are not prepared because the Company is a wholly owned subsidiary and its results are included in the consolidated financial statements of its ultimate parent undertaking, Elementis plc.

##### *Exchange rates*

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

##### *Investments*

Investments in group undertakings are included in the balance sheet at the cost or, if lower, directors' valuation.

##### *Investment income*

Dividends from group undertakings are accounted for on an accruals basis.

##### *Pension and other post-retirement benefits*

The cost of providing retirement pensions and related benefits is charged to the profit and loss account on a systematic and regular basis over the periods during which the Company benefits from employees' services. Any difference between the charge to the profit and loss account and contributions paid is dealt with in the balance sheet as a prepayment or provision, whichever is appropriate. Deferred tax is accounted for in full on this balance.

##### *Goodwill*

Goodwill arising on acquisitions since 1 January 1998 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. Goodwill arising on acquisitions prior to this date was charged directly against reserves in the year of acquisition; on subsequent disposals this is charged through the profit and loss account.

##### *Leased assets*

Rental costs in respect of operating leases are charged against profit before interest as they arise.

## ELEMENTIS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001 (continued)

#### 1 Accounting policies (continued)

##### *Depreciation*

Freehold land is not depreciated. Leasehold property is depreciated over the period of the lease. Freehold buildings, plant and machinery, vehicles, and fixtures, fittings, tools and equipment are depreciated over their estimated useful lives on a straight line basis.

Estimated useful lives of these assets are:

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

##### *Stocks*

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

##### *Taxation*

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

##### *Government grants*

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

#### 2 Turnover and segmental information

Turnover, which originates in the United Kingdom, represents sales of chemicals to third parties excluding value added tax.

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

Analysis of turnover by geographical markets:

	2001 £ million	2000 £ million
Europe	123.4	122.2
North America	9.6	10.3
Rest of the World	20.2	20.6
	<u>153.2</u>	<u>153.1</u>



## ELEMENTIS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001 (continued)

#### 3 Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging / (crediting):	2001 £ million	2000 £ million
Employee costs:		
Wages and salaries	10.1	10.4
Social security costs	1.3	1.3
Pension costs	(1.2)	(2.1)
Depreciation of owned tangible fixed assets	5.8	5.6
Amortisation of goodwill	0.8	0.7
Hire charges for plant & machinery	0.2	0.3
Hire charges for other assets	0.2	0.1
Government grants	-	(0.2)
Exceptional charges (charged to cost of sales) :		
Restructuring costs	-	1.1

Auditors remuneration paid during the year was £42,000 (2000:£32,000).

#### 4. Directors and employees

The emoluments of all the directors are borne by the Company's parent undertakings, Elementis plc and Elementis Holdings Limited, being the companies for which they performed substantially all of their executive duties.

The average number of persons employed during the year was 489 (2000: 516).

# ELEMENTIS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001 (continued)

### 5 Tax on profit on ordinary activities

	2001 £ million	2000 £ million
The charge for tax comprises:		
United Kingdom corporation tax at 30% (2000: 30%)	1.8	2.9
Corporation tax prior year adjustment	(0.4)	-
Deferred tax	0.8	0.4
Deferred tax prior year adjustment	0.6	1.9
	<u>2.8</u>	<u>5.2</u>

### 6 Intangible assets

	Goodwill £ million
Cost:	
At 1 January and 31 December 2001	<u>11.3</u>
Amortisation:	
At 1 January 2001	1.4
Amortisation for the year	0.8
At 31 December 2001	<u>2.2</u>
Net book value:	
At 31 December 2001	<u>9.1</u>
At 31 December 2000	<u>9.9</u>

# ELEMENTIS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001 (continued)

### 7 Tangible fixed assets

	Freehold land and buildings £ million	Plant and machinery £ million	Fixtures, fittings, tools & equipment £ million	Assets under construction £ million	Total £ million
Cost:					
At 1 January 2001	25.9	107.6	2.4	2.6	138.5
Additions	0.2	0.2	0.2	2.2	2.8
Disposals	(1.5)	-	-	-	(1.5)
Reclassification	6.1	(6.1)	-	-	-
Transfers	-	4.2	-	(4.2)	-
<b>At 31 December 2001</b>	<b>30.7</b>	<b>105.9</b>	<b>2.6</b>	<b>0.6</b>	<b>139.8</b>
Depreciation:					
At 1 January 2001	12.8	63.5	2.1	-	78.4
Charge for the year	0.7	5.0	0.2	-	5.9
Disposals	(1.5)	-	-	-	(1.5)
Reclassification	3.1	(3.1)	-	-	-
<b>At 31 December 2001</b>	<b>15.1</b>	<b>65.4</b>	<b>2.3</b>	<b>-</b>	<b>82.8</b>
Net book value:					
<b>At 31 December 2001</b>	<b>15.6</b>	<b>40.5</b>	<b>0.3</b>	<b>0.6</b>	<b>57.0</b>
At 31 December 2000	13.1	44.1	0.3	2.6	60.1

# ELEMENTIS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001 (continued)

### 8 Investments in group undertakings

#### Subsidiary undertakings

Shares at  
cost  
£ million

At 1 January and December 2001

11.2

Principal investments in group undertakings are as follows:

	<i>Country of incorporation</i>	<i>Equity held %</i>
N B Chrome Limited	England	92

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.

## **ELEMENTIS UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **for the year ended 31 December 2001 (continued)**

#### **9 Stocks**

	<b>2001</b> <b>£ million</b>	<b>2000</b> <b>£ million</b>
Raw materials and consumables	<b>5.4</b>	8.8
Work in progress	<b>1.1</b>	1.2
Finished goods and goods for resale	<b>13.9</b>	10.5
	<b><u>20.4</u></b>	<b><u>20.5</u></b>

#### **10 Debtors**

	<b>2001</b> <b>£ million</b>	<b>2000</b> <b>£ million</b>
Trade debtors	<b>19.3</b>	23.7
Amounts owed by group undertakings	<b>3.6</b>	2.5
Post retirement benefits	<b>5.2</b>	1.7
Other debtors	<b>3.5</b>	3.8
Prepayments and accrued income	<b>0.8</b>	1.2
	<b><u>32.4</u></b>	<b><u>32.9</u></b>

Post retirement benefits and other debtors include £5.2 million (2000: £2.1 million) falling due after more than one year.

#### **11 Borrowings**

	<b>2001</b> <b>£ million</b>	<b>2000</b> <b>£ million</b>
Borrowings repayable within one year:		
Unsecured bank borrowings	<b><u>2.7</u></b>	<b><u>5.0</u></b>

## ELEMENTIS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001 (continued)

#### 12 Creditors: amounts falling due within one year

	2001 £ million	2000 £ million
Trade creditors	11.4	13.4
Amounts owed to group undertakings	37.0	4.3
Amounts due to parent undertaking in respect of corporation tax	24.1	23.3
Other taxes and social security	0.7	0.8
Other creditors	0.2	1.9
Accruals and deferred income	1.8	2.2
	<u>75.2</u>	<u>45.9</u>

#### 13 Provisions for liabilities and charges

	Deferred tax £ million	Other £ million	Total £ million
At 1 January 2001	2.6	3.0	5.6
Charge to the profit and loss account	1.4	0.3	1.7
Non-cash movement	-	0.4	0.4
<b>At 31 December 2001</b>	<b>4.0</b>	<b>3.7</b>	<b>7.7</b>

Other provisions include environmental, restructuring and self insurance provisions. Environmental provisions at 31 December 2001 relate to chemical manufacturing sites where the Company believes that it is probable that expenditure will be incurred and have been derived using a discounted cash flow methodology. Self insurance provisions at 31 December 2001 represent the aggregate of outstanding claims plus a projection of losses incurred but not reported. Restructuring and self insurance provisions are expected to be utilised over a five year period.

# **ELEMENTIS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2001 (continued)

### **13 Provisions for liabilities and charges (continued)**

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

	Provision made		Full potential liability	
	2001 £ million	2000 £ million	2001 £ million	2000 £ million
Accelerated capital allowances	2.8	2.0	9.8	8.0
Other timing differences	1.2	0.6	2.7	0.3
	<u>4.0</u>	<u>2.6</u>	<u>12.5</u>	<u>8.3</u>

### **14 Called up share capital**

	Authorised		Issued and fully paid	
	2001 £ million	2000 £ million	2001 £ million	2000 £ million
Ordinary shares of £1 each	<u>26.5</u>	<u>26.5</u>	<u>26.5</u>	<u>26.5</u>

### **15 Reserves**

	Profit & loss account £ million
At 1 January 2001	13.6
Retained profit for the year	4.3
At 31 December 2001	<u>17.9</u>

## ELEMENTIS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001 (continued)

#### 16 Reconciliation of movements in shareholders' funds

	2001 £ million	2000 £ million
Profit for the financial year after tax	4.3	13.6
Increase in ordinary share capital	-	25.0
Net increase to shareholders' funds	4.3	38.6
Opening shareholders' funds	40.1	1.5
Closing shareholders' funds	44.4	40.1

#### 17 Pensions

The Company participates in the Elementis Group Pension Scheme, which is of the funded defined benefit type providing benefits to certain employees within the Elementis Group; the assets of the scheme are held separately from the Group's assets. The most recent SSAP24 valuation was performed as at 30 September 2001.

The transitional disclosure requirements of Financial Reporting Standard 17 (Retirement Benefits) have been adopted. There is no impact on the reported figures.

The Group is unable to identify the Company's share of the underlying assets and liabilities of the scheme. Results of the FRS17 valuation as at 31 December 2001 indicated a net deficit for the UK scheme of £7.8 million.

Full disclosure relating to this scheme are included within the financial statements of Elementis plc.

#### 18 Commitments

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

	Land & buildings		Other assets	
	2001 £ million	2000 £ million	2001 £ million	2000 £ million
Leases terminating:				
Between one and five years	-	-	0.2	0.1
Over five years	-	-	-	0.1
	-	-	0.2	0.2

Capital expenditure contracted but not provided for amounted to £nil (2000: £0.2 million).



**ELEMENTIS UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2001 (continued)**

**19 Contingent liabilities**

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

**20 Parent and ultimate parent undertakings**

The Company's immediate parent undertaking is Elementis London Limited.

Elementis plc, the Company's ultimate parent undertaking, was the smallest and largest group to consolidate the financial statements of the Company. Copies of the consolidated financial statements of Elementis plc may be obtained from Ash House, Fairfield Avenue, Staines, TW18 4ES.

**21 Related party transactions**

As the Company is a wholly owned subsidiary of Elementis plc advantage has been taken of the exemption afforded by FRS8 not to disclose any related party transactions with members of the Elementis Group or associates and joint ventures of Elementis plc.

**22 Cash flow statement**

Elementis plc 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.