

**NYCHEM INTERNATIONAL
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2001



Company no 01182526

NYCHEM INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2001

Company registration number: 01182526

Registered office: Grant Thornton
Melton Street
Euston Square
London
NW1 2EP

Directors: K T Dunn
F Eltink

Secretary: A J McEvoy

Bankers: Bank of Scotland

Solicitors: Levy & McRae

Auditors: Grant Thornton
Registered auditors
Chartered accountants

NYCHEM INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2001

INDEX	PAGE
Report of the directors	1 - 2
Report of the auditors	3
Principal accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Statement of total recognised gains and losses	9
Notes to the financial statements	10 - 18

NYCHEM INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 March 2001.

Principal activities

The company is principally engaged in the blending and storage of plastics. The company operated from the UK and from a branch in the Netherlands.

The ultimate parent undertaking of the company is Bandeath Plastics Limited, which is incorporated in England.

Business review

During the year the company decided to close its production capacity in the Netherlands due to its poor performance but has continued to use its depot there for distribution. It is not considered that this constitutes a discontinuation of a business segment in terms of accounting standards as the directors consider that the business is unchanged.

The trading results have improved during the year to 31 March 2001 although they have been hit by the need for a provision against the irrecoverability of a debt totalling £110,197. Overall, there was a loss for the year after taxation amounting to £71,490 (2000: loss £103,665). The directors do not recommend payment of a dividend.

Directors

The present membership of the Board is set out below. Both directors served throughout the year.

The interests of the directors in the shares of the company and its parent as at 31 March 2001 and 1 April 2000, were as follows:

		Ordinary shares	
		31 March 2001	1 April 2000
K T Dunn	Bandeath Plastics Limited	1,000	1,000
K T Dunn	Nychem International Limited	-	-
F Eltink	Nychem International Limited	-	-

Fixed assets

The company continues to invest in fixed assets. The book value of Leasehold Property slightly exceeds the open market value of the premises. The directors believe that the existing use value exceeds the open market value and believe that there is no need to further write down the book value in view of the return which they expect from this investment.

NYCHEM INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

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
- 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



Secretary
31 January 2002

**REPORT OF THE AUDITORS TO THE MEMBERS OF
NYCHEM INTERNATIONAL LIMITED**

We have audited the financial statements on pages 4 to 18 which have been prepared under the accounting policies set out on pages 4 to 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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.

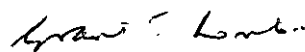
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the basis of preparation note contained in the accounting policies on page 4 of the financial statements concerning the availability of finance to fund the company's cashflow requirements. In view of the significance of this major uncertainty we consider that it should be drawn 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 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

31 January 2002

NYCHEM INTERNATIONAL LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The company incurred losses in each of the two years to 31 March 2000. This resulted from poor trading in the Dutch Branch which was opened in 1997. In view of these losses the company closed the production plant in Holland during December 2000. Before providing for a substantial potentially irrecoverable debt, the company returned to profit in the year to 31 March 2001 but has incurred further losses in late 2001 due to changes at its major supplier and customer, BP, upon whom it is heavily dependent.

The losses have put pressure on the company's cash flow. The company is dependant on the support of its bankers who have confirmed in January 2002 that they are prepared to continue with the company's present finance facilities, which are agreed to 31 March 2002, and to keep the position under review in order to provide some additional support where necessary. The companies financial projections indicate that it will require increased facilities in the coming months. The company is presently negotiating with BP to obtain improved terms and conditions to allow it to manage its cash flow requirements during this period and on that basis the directors have prepared the accounts on the going concern basis.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold property	2%
Plant and equipment	15-20%
Motor vehicles	25%
Fixtures, fittings and office equipment	20%
Leasehold improvements	15%

STOCKS

Stocks are stated at the lower of cost and net realisable value.

In the case of raw materials, cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. In the case of work in progress and finished goods, cost consists of direct materials, direct labour and attributable production overheads.

Net realisable value means estimated selling price (less trade discounts) less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

NYCHEM INTERNATIONAL LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign branches are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in branches are taken directly to reserves. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

NYCHEM INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2001

	Note	2001 £	2000 £
Turnover	1	4,096,247	3,866,985
Cost of sales		<u>(3,010,123)</u>	<u>(2,867,742)</u>
Gross profit		1,086,124	999,243
Distribution costs		(246,944)	(234,180)
Administrative expenses		(774,625)	(708,583)
Other operating income		<u>83,610</u>	<u>-</u>
Operating profit		148,165	56,480
Exceptional item			
Exceptional provision against irrecoverable debts	2	(110,197)	-
Interest payable and similar charges	3	<u>(84,080)</u>	<u>(160,145)</u>
Loss on ordinary activities before taxation	1	(46,112)	(103,665)
Tax on loss on ordinary activities	5	<u>(25,378)</u>	<u>-</u>
Loss transferred from reserves	12	<u>(71,490)</u>	<u>(103,665)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

NYCHEM INTERNATIONAL LIMITED

BALANCE SHEET AT 31 MARCH 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	6		1,791,115		1,681,619
Current assets					
Stocks	7	96,697		84,042	
Debtors	8	530,003		792,323	
Cash at bank and in hand		24,118		26,866	
		650,818		903,231	
Creditors: amounts falling due within one year	9	(1,148,040)		(1,178,326)	
Net current liabilities			(497,222)		(275,095)
Total assets less current liabilities			1,293,893		1,406,524
Creditors: amounts falling due after more than one year	10		(486,405)		(517,064)
			807,488		889,460
Capital and reserves					
Called up share capital	11		10,000		10,000
Other reserves	12		30,273		40,755
Profit and loss account	12		767,215		838,705
Shareholders' funds	13		807,488		889,460

The financial statements were approved by the Board of Directors on 31 January 2002.

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

NYCHEM INTERNATIONAL LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2001

	Note	2001 £	2000 £
Net cash inflow from operating activities	14	688,192	101,593
Returns on investments and servicing of finance			
Interest paid		(71,682)	(153,158)
Finance lease interest paid		(8,057)	(6,987)
Net cash outflow from returns on investments and servicing of finance		(79,739)	(160,145)
Taxation		-	(53,084)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(244,373)	(108,775)
Sale of tangible fixed assets		68,965	171,939
Capital expenditure		(175,408)	63,164
Financing			
Receipts from borrowings		-	300,000
Repayment of borrowings		(98,723)	(130,511)
Capital element of finance lease rentals		(65,227)	(54,867)
Net cash outflow from financing		(163,950)	114,622
Increase in cash	15	269,095	66,150

The accompanying accounting policies and notes form an integral part of these financial statements.

NYCHEM INTERNATIONAL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2001

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2001 £	2000 £
Loss for the financial year	(71,490)	(103,665)
Exchange (loss) / gain	(10,482)	40,755
Total recognised gains and losses for the year	<u>(81,972)</u>	<u>(62,910)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

An analysis of turnover by geographical market is given below:

	2001 £	2000 £
UK	2,741,832	1,670,957
Export	791,550	1,050,395
Dutch branch sales	532,865	1,145,633
	<u>4,066,247</u>	<u>3,866,985</u>

The loss on ordinary activities is stated after:

	2001 £	2000 £
Auditors' remuneration	14,281	11,000
Depreciation:		
Tangible fixed assets, owned	239,776	260,563
Tangible fixed assets, held under finance leases and hire purchase contracts	32,843	33,968
Hire of plant and machinery	28,809	31,528
Other operating lease rentals	25,301	25,891
Gain on disposal of fixed assets	(57,937)	(49,527)
Currency exchange loss	3,863	17,758
	<u>3,863</u>	<u>17,758</u>

Other operating income includes:

Insurance receipts	<u>83,610</u>	<u>-</u>
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2 EXCEPTIONAL ITEMS

During the year the company has made a provision of £110,197 against a loan made by the company and against the associated taxation recoverable as the directors consider that the loan is potentially irrecoverable.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
On bank loans and overdrafts	75,860	153,158
Finance charges in respect of finance leases	8,220	6,987
	<u>84,080</u>	<u>160,145</u>

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2001 £	2000 £
Wages and salaries	724,637	772,440
Social security costs	80,287	82,653
Other pension costs	17,644	10,566
	<u>822,568</u>	<u>865,659</u>

The average number of employees of the company during the year was as follows:

	2001 Number	2000 Number
Production	35	34
Administration & management	10	10
	<u>45</u>	<u>44</u>

Remuneration in respect of directors was as follows:

	2001 £	2000 £
Emoluments	<u>66,908</u>	<u>155,944</u>

5 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge represents:

	2001 £	2000 £
UK Corporation tax at 20% (2000: 20%)	20,015	-
Adjustments in respect of prior periods:		
Corporation tax	<u>5,363</u>	<u>-</u>
	<u>25,378</u>	<u>-</u>

The 2001 taxation charge has been increased as a result of expenditure which is disallowable for corporation tax purposes.

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

6 TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Leasehold improvements £	Total £
Cost						
At 1 April 2000	2,113,245	2,405,006	183,815	122,325	82,354	4,906,745
Additions	82,332	340,951	2,786	25,692	-	451,761
Disposals	-	-	(77,306)	(94,925)	-	(172,231)
At 31 March 2001	2,195,577	2,745,957	109,295	53,092	82,354	5,186,275
Depreciation						
At 1 April 2000	927,782	2,121,505	91,856	49,635	34,348	3,225,126
Provided in the year	42,526	160,347	30,607	24,493	14,646	272,619
Eliminated on disposals	-	-	(76,625)	(25,960)	-	(102,585)
At 31 March 2001	970,308	2,281,852	45,838	48,168	48,994	3,395,160
Net book amount at 31 March 2001	<u>1,225,269</u>	<u>464,105</u>	<u>63,457</u>	<u>4,924</u>	<u>33,360</u>	<u>1,791,115</u>
Net book amount at 31 March 2000	<u>1,185,463</u>	<u>283,501</u>	<u>91,959</u>	<u>72,690</u>	<u>48,006</u>	<u>1,681,619</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Plant and equipment £	Motor vehicles £
Net book amount at 31 March 2001	<u>233,416</u>	<u>52,405</u>
Net book amount at 31 March 2000	<u>46,262</u>	<u>80,851</u>
Depreciation provided during year	<u>13,495</u>	<u>19,348</u>

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

7 STOCKS

	2001 £	2000 £
Raw materials and consumable stores	79,395	63,467
Short-term work in progress	17,302	20,575
	<u>96,697</u>	<u>84,042</u>

8 DEBTORS

	2001 £	2000 £
Trade debtors	445,161	607,101
Other debtors	35,978	55,436
Loans to directors	-	99,681
Taxation recoverable	-	5,363
Prepayments and accrued income	48,864	24,742
	<u>530,003</u>	<u>792,323</u>

Included above are the following amounts which are due after more than one year:

Other debtors	<u>-</u>	<u>25,690</u>
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9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts	401,967	633,688
Trade creditors	520,417	332,333
Corporation tax	28,033	8,018
Social security and other taxes	34,998	82,954
Other creditors	37,690	38,190
Accruals and deferred income	69,801	61,984
Amounts due under finance leases	55,134	21,159
	<u>1,148,040</u>	<u>1,178,326</u>

The bank loans and overdraft are secured by a legal charge and standard security over the company's properties and by a debenture over all of the company's assets.

The amounts due under finance leases are secured by the underlying assets.

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Bank loans	333,159	472,004
Amounts due under finance leases	153,246	45,060
	<u>486,405</u>	<u>517,064</u>

Bank loans

The bank loans are secured by a legal charge and standard security over the company's properties and by a debenture over the company's assets. There were two bank loans in existence at 31 March 2001 totalling £474,872. The first loan is repayable in 60 equal monthly instalments of £6,171 from 7 January 2000 to 7 December 2004. Interest is charged at 2.5% above bank base rate. The second loan is repayable in 84 equal monthly instalments of £5,531 from 25 July 1998 to 25 June 2005. Interest is charged at 2.5% above bank base rate.

The amounts due under finance leases are secured by the underlying assets.

Borrowings are repayable as follows:	2001 £	2000 £
Within one year		
Bank and other borrowings	401,967	633,688
Finance leases	55,134	21,159
After one and within two years		
Bank and other borrowings	138,480	106,230
Finance leases	71,587	45,060
After two and within five years		
Bank and other borrowings	194,679	338,466
Finance leases	81,659	-
After five years		
Bank and other borrowings	-	27,308
	<u>943,506</u>	<u>1,171,911</u>

Bank and other borrowings repayable after five years comprise:	2001 £	2000 £
Bank loans	-	27,308

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

11 SHARE CAPITAL

	2001 £	2000 £
Authorised 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

12 RESERVES

	Foreign Exchange Reserve £	Profit and loss account £
At 1 April 2000	40,755	838,705
Retained loss for the year	-	(71,490)
Exchange differences	(10,482)	-
At 31 March 2001	<u>30,273</u>	<u>767,215</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Loss for the financial year	(71,490)	(103,665)
Exchange (loss) / gain	<u>(10,482)</u>	<u>40,755</u>
Net decrease in shareholders' funds	(81,972)	(62,910)
Shareholders' funds at 1 April 2000	<u>889,460</u>	<u>952,370</u>
Shareholders' funds at 31 March 2001	<u>807,488</u>	<u>889,460</u>

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

14 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	148,165	56,480
Depreciation	272,619	294,531
Loss on sale of tangible fixed assets	681	(49,527)
Increase in stocks	(12,655)	80,619
Decrease in debtors	256,957	(385,814)
Increase in creditors	132,622	105,304
Net cash inflow from continuing operating activities	798,389	101,593
Less: movement in debtors due to exceptional provision made against loans receivable	(110,197)	-
Net cash inflow from operating activities	<u>688,192</u>	<u>101,593</u>

15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £	2000 £
Increase in cash in the year	269,095	66,150
Cash outflow/(inflow) from financing in the year	98,723	(169,489)
Cash outflow from finance leases in the year	65,227	54,867
Change in net debt resulting from cashflows	433,045	(48,472)
Inception of finance leases	(207,388)	(77,391)
Movement in net debt in the year	225,657	(125,863)
Net debt at 1 April 2000	(1,145,045)	(1,019,182)
Net debt at 31 March 2001	<u>(919,388)</u>	<u>(1,145,045)</u>

16 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2000 £	Cash flow £	Non - cash items £	At 31 March 2001 £
Cash in hand and at bank	26,866	(2,748)	-	24,118
Overdraft	(535,328)	271,843	-	(263,485)
Debt	(570,364)	98,723	-	(471,641)
Finance leases	(66,219)	65,227	(207,388)	(208,380)
	<u>(1,145,045)</u>	<u>433,045</u>	<u>(207,388)</u>	<u>(919,388)</u>

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

17 MAJOR NON-CASH TRANSACTIONS

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £264,212 (2000 £77,391).

18 CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2001 or 31 March 2000.

19 LEASING COMMITMENTS

Operating lease payments amounting to £31,965 (2000: £34,312) are due within one year. The leases to which these amounts relate expire as follows:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	-	-	7,626
Between one and five years	-	12,715	-	7,436
In five years or more	19,250	-	19,250	-
	<u>19,250</u>	<u>12,715</u>	<u>19,250</u>	<u>15,062</u>

20 CONTINGENT LIABILITIES

The company has granted transaction related guarantees in favour of H M Customs & Excise of £20,000 up to a maximum of £40,000.

The company has also granted a performance bond on account for a customer for £800.

21 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution money purchase pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The pension cost charge for the year was £17,644 (2000 £10,566).

NYCHEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

22 TRANSACTIONS WITH DIRECTORS

Amounts due in respect of loans to directors were as follows:

Name of director and connected person	Amount outstanding		Maximum liability during year	Interest due not paid
	2001	2000		
	£	£	£	£
K Dunn	84,507	99,681	99,681	-

During the year the company has made a provision against the full amount owed by K Dunn of £84,507 and a further provision of £25,690 against the associated amount included in debtors for taxation recoverable in respect of this loan.

In addition to the above, the company made payments totalling £6,908 (2000: £26,207) to Lenpak BV, a company in which F Eltink is a director, for the supply of sales and marketing services.

23 ULTIMATE PARENT UNDERTAKING & CONTROLLING RELATED PARTY

The directors consider that the ultimate parent undertaking and controlling related party of this company is its parent company Bandeath Plastics Limited, which owns 75% of the share capital of the company. Mr K Dunn owns 100% of Bandeath Plastics Limited and ultimately controls the company.