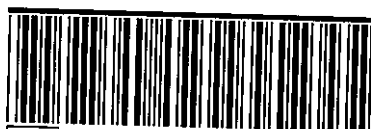


RMSP (UK) LIMITED
ACCOUNTS

31ST MARCH 1998

Company No: 2874059

SMITH & WILLIAMSON
Chartered Accountants
GUILDFORD



A09 *AM6D8A41* 245
COMPANIES HOUSE 03/10/98

RMSP (UK) LIMITED

DIRECTORS' REPORT

The director presents his report and the accounts for the year ended 31st March 1998.

PRINCIPAL ACTIVITY

The principal activity of the company is the sale and distribution of silicones and derivatives thereof.

REVIEW OF BUSINESS

The year 1997/98 under review has been a watershed year for RMSP as the company has experienced an 80% increase in total turnover and generated a meaningful operating profit for the first time in its history, with a gross margin of 14.7% and operating earnings of £299,000. This significant improvement has resulted primarily from a steady uplift in contractual demand from our largest US and European pharmaceutical customers for silylating agents such as Hexamethyldisilazane and N-bis(trimethylsilyl)urea which are important process chemicals used in the synthesis of antibiotics and one of our most successful speciality product families. In addition, we have enjoyed a broader sales volume and improved sales mix across the current range of own-brand Silcorel silicone products which has resulted from both intensive marketing efforts and improved product availability from our principal supplier, Reliance Silicones (India) Limited (RSIL).

RMSP played a more active role during the year in managing our direct supply chain by procuring higher quantities of certain raw materials and silicone residues from international markets which are then sold to RSIL for conversion or toll manufacture into higher value finished products which RMSP procures for international distribution. This positive trend resulted in relatively high levels of investment in stocks (ie both in terms of inventory levels and direct material shipments to customers) and working capital during the course of the year. Given the significant uplift in turnover, the Company's total administrative expenses for the year were seen to rise by 54%, largely as a consequence of higher financing costs and bank service charges, higher office rental and service charges associated with the move to larger premises within the Surrey University Research Park and an increased salary budget owing to the arrival of new senior management. In addition, the Company acted to cut unproductive overheads through staff rationalisation and closure of the Moscow branch office. Lastly, the strength of the pound during the period had an adverse translation effect on bottom line earnings as most of the company's earnings are derived in US dollars.

The outlook for the Company remains very positive as we have sustained sales growth both with existing customers and certain new international sectors, including some new Asian consumers, and as access to raw materials and finished product from RSIL continues to improve. RSIL is expected to complete its new production facility in early fall of 1998 which is expected to result in a steady ramp-up in product availability and exciting potential to increase international sales of primary silicone and silane products. RMSP is poised to capitalise on this opportunity and expects to add additional staff during the year to ensure that adequate resources are in place to help achieve our objectives.

RESULTS AND DIVIDENDS

The retained profit for the year amounted to £223,142 (1997 - loss £88,068). The director does not recommend the payment of a dividend.

RMSP (UK) LIMITED

DIRECTORS' REPORT

DIRECTORS

The directors who served during the year were as follows:

G. Egen (appointed 1 April 1997)

F. Chalstrey (resigned 31 July 1997)

Neither director had any interest in the shares of the company, as defined by the Companies Act, at 1 April 1997 or 31 March 1998.

AUDITORS

The auditors, Smith & Williamson, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

20 Alan Turing Road
Surrey Research Park
Guildford
Surrey
GU2 5YF

By order of the Board



G Egen
Director

3 September 1998

RMSP (UK) LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the director to prepare accounts 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 accounts, the director is 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 in the accounts; and

prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the accounts comply with the Companies Act. He is 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.

AUDITORS' REPORT TO THE MEMBERS OF RMSP (UK) LIMITED

We have audited the accounts on pages 5 to 17 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's director is responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the accounts, 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 accounts 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 accounts.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.1 to the accounts. In view of the significance of this note we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Smith & Williamson

GUILDFORD

4 September 1998

SMITH & WILLIAMSON
Chartered Accountants
Registered Auditors

RMSP (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 1998

	Note	1998 £	1997 £
TURNOVER	2	10,337,653	5,891,209
Cost of sales		(8,815,044)	(5,338,293)
GROSS PROFIT		1,522,609	552,916
Administrative expenses		(1,147,694)	(744,739)
(Loss)/profit on foreign exchange	3	(76,022)	122,811
OPERATING PROFIT/ (LOSS)	4	298,893	(69,012)
Interest receivable		4,435	2,472
Interest payable and similar charges	5	(80,186)	(21,528)
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		223,142	(88,068)
Tax on profit on ordinary activities	7	-	-
PROFIT/ (LOSS) FOR THE FINANCIAL YEAR		£ 223,142	£ (88,068)

There were no gains or losses in the year other than the gain disclosed above.

All operations of the business are classed as continuing.

Movements in shareholders' funds are shown in note 14.

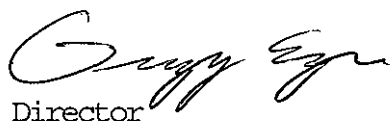
RMSP (UK) LIMITED

BALANCE SHEET

31ST MARCH 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	8		12,061		70,089
CURRENT ASSETS					
Stocks	9	870,500		537,575	
Debtors	10	3,744,374		1,928,321	
Cash at bank and in hand		213,744		113,736	
			4,828,618	2,579,632	
CREDITORS: amounts falling due within one year	11	(4,446,216)		(2,628,400)	
NET CURRENT ASSETS/ (LIABILITIES)			382,402		(48,768)
			<u>£ 394,463</u>		<u>£ 21,321</u>
CAPITAL AND RESERVES					
Called up share capital	12		1,888,000		1,738,000
Profit and loss account	13		(1,493,537)		(1,716,679)
EQUITY SHAREHOLDERS' FUNDS	14		<u>£ 394,463</u>		<u>£ 21,321</u>

These accounts were approved by the board of directors on .

 *Sept. 3, 1998*
Director

RMSP (UK) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 1998

**Reconciliation of operating profit
to net cash outflow from operating activities**

	1998 £	1997 £
Operating profit/(loss)	298,893	(69,012)
Depreciation charges	47,439	39,502
Increase in stocks	(332,925)	(115,615)
Increase in debtors	(1,816,053)	(444,430)
Increase in creditors	325,927	559,571
Net cash outflow from operating activities	<u>£(1,476,719)</u>	<u>£(29,984)</u>

Cash Flow Statement

Net cash outflow from operating activities	(1,476,719)	(29,984)
Returns on investments and servicing of finance (note 17)	(75,751)	(19,056)
Capital expenditure (note 17)	3,961	(41,873)
Financing (note 17)	256,217	(3,754)
Decrease in cash	<u>£(1,292,292)</u>	<u>£(94,667)</u>

**Reconciliation of net cash flow to
movement in net debt**

Decrease in cash in year	(1,292,292)	(94,667)
Cash outflow from repayment of finance leases	6,626	3,754
Net debt at 1 April 1997 (note 18)	<u>(1,285,666)</u>	<u>(90,913)</u>
	(119,235)	(28,322)
Net debt at 31 March 1998 (note 18)	<u>£(1,404,901)</u>	<u>£(119,235)</u>

NOTES TO THE ACCOUNTS

31ST MARCH 1998

1. **ACCOUNTING POLICIES**

1.1 Accounting convention

The accounts have been prepared under the historical cost convention and on the going concern basis. The director considers the going concern concept to be appropriate as the company has made a profit for the year ended 31 March 1998 and unaudited management accounts show it has remained profitable since that date.

The company continues to benefit from significant multiyear agreements with customers and the full benefits are now being felt. The company's cash flow has been underpinned by obtaining improved payment terms from suppliers and the invoice discounting arrangement entered into during the year. The company continues to enjoy the full support of its principal supplier both in terms of credit available and supply of product and its bankers and invoice discounting providers.

The going concern is dependent on there being no changes in these circumstances in the coming year.

1.2 Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets at the following rates:-

Furniture, fixtures and equipment	25% straight line
Motor vehicles	25% straight line

1.3 Stock

Stock is valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items.

1.4 Deferred taxation

Deferred taxation is provided using the liability method for all timing differences between the results shown by the accounts and those computed for taxation purposes, other than those differences which are expected to continue for the foreseeable future.

1.5 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

1.6 Leasing and hire purchase

Assets held under hire purchase contracts are capitalised at their fair value on the inception of the agreements and depreciated over their estimated useful lives. The finance charges are allocated over the period of the agreement on a straight line basis.

The operating lease on the building occupied by RMSP (UK) Limited has been treated in line with the requirements of UITF 12, meaning the benefit of the initial rent free period will be spread over the life of the lease rather than being recognised during the year.

1.7 Pension contributions

The company makes payments into a defined contribution group personal pension scheme open to all employees with in excess of one years service. Employer contributions are 5% of pensionable salary and there is no unfunded liability.

2. **TURNOVER**

The company carries on only one class of business and turnover can be geographically analysed as follows:

	1998 £	1997 £
Geographical market		
USA	1,591,600	-
Europe	3,147,995	3,243,110
India	3,846,493	1,755,826
Middle East	1,035,827	892,273
Other	715,738	-
	<u>£10,337,653</u>	<u>£5,891,209</u>

3. **(LOSS)/PROFIT ON FOREIGN EXCHANGE**

The company carries on the majority of its business in foreign currencies. The financing of this results in significant charges or credits to the profit and loss account dependent on exchange rate fluctuations.

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

4. OPERATING PROFIT/(LOSS)

	1998 £	1997 £
The operating profit/(loss) is stated after charging:-		
Depreciation	47,439	39,503
Profit on disposal of fixed assets	6,629	-
Auditors' remuneration	10,000	9,500
Loss/(profit) on foreign currencies	76,022	(122,811)
Operating lease rentals:-		
Land and buildings	142,727	53,956
Plant and machinery	25,676	17,695
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	£	£
On bank loans and overdrafts and on loans repayable in full within five years	80,186	20,006
Hire purchase interest	-	1,522
	<u>£80,186</u>	<u>£21,528</u>

6. DIRECTOR AND EMPLOYEES

	£	£
Staff costs:-		
Wages and salaries	409,183	296,780
Social security costs	34,456	23,712
Other pension costs	31,834	35,059
	<u>£ 475,473</u>	<u>£ 355,551</u>

The average weekly number of employees during the year was made up as follows:

	No.	No.
Administration	5	5
Sales and marketing	3	3
	<u>8</u>	<u>8</u>

Directors' emoluments:-

	£	£
Remuneration including benefits in kind	77,086	58,917
Pension contributions	16,335	22,880
	<u>£ 93,421</u>	<u>£ 81,797</u>

Directors' emoluments includes £27,900. in respect of compensation for loss of office.

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

7. **TAXATION**

There was no liability to taxation arising during either year due to losses incurred to date. There is no provided or unprovided liability to deferred taxation.

8. **TANGIBLE FIXED ASSETS**

	Office Refurbish ment £	Furniture fixtures and equipment £	Motor Vehicles £	Total £
Cost:				
At 1st April 1997	35,500	84,589	39,663	159,752
Additions	-	7,939	-	7,939
Disposals	(35,500)	(9,271)	(39,663)	(84,434)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March 1998	-	83,257	-	83,257
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1st April 1997	8,875	55,018	25,770	89,663
Charge for the year	26,625	20,814	-	47,439
On disposals	(35,500)	(4,636)	(25,770)	(65,906)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March 1998	-	71,196	-	71,196
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31st March 1998	£ -	£ 12,061	£ -	£ 12,061
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1997	£ 26,625	£ 29,571	£ 13,893	£ 70,089
	<hr/>	<hr/>	<hr/>	<hr/>

9. **STOCKS**

	1998	1997
Raw materials and consumables	£ 870,500	£ 537,575
	<hr/>	<hr/>

The replacement cost of stock is not considered to be materially different from the amounts disclosed above.

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

10. DEBTORS	1998 £	1997 £
Trade debtors	1,790,611	880,048
Other debtors	1,953,413	1,031,033
Prepayments and accrued income	350	17,240
	<hr/>	<hr/>
	£ 3,744,374	£1,928,321
	<hr/>	<hr/>

Within other debtors is an amount of £145,438 (1997 - £57,088) due after more than one year from the balance sheet date. This amount relates to deposits paid on containers being used and on the company's premises.

11. CREDITORS: amounts falling due within one year	1998 £	1997 £
Bank loans and overdrafts	344,694	226,345
Factoring advance	1,273,951	-
Trade creditors	2,530,203	1,922,952
Taxes and social security costs	22,550	7,649
Net obligations under finance lease and hire purchase contracts	-	6,626
Other creditors	183,900	156,651
Accruals and deferred income	90,918	308,177
	<hr/>	<hr/>
	£ 4,446,216	£ 2,628,400
	<hr/>	<hr/>

The bank loans and overdrafts are secured by means of a charge over book debts and other assets of the company.

Other creditors includes £112,843 owed to G. Egen, the director, which is unsecured and interest free.

The factoring advance is secured over the trade debtors to which it relates.

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

12. **SHARE CAPITAL**

	1998 £	1997 £
<u>Authorised</u>		
1,000 Ordinary class 'A' shares of £1 each	1,000	1,000
4,999,000 Ordinary class 'B' shares of £1 each	4,999,000	1,999,000
	<u>£ 5,000,000</u>	<u>£ 2,000,000</u>
<u>Allotted, called up and fully paid</u>		
1,000 Ordinary class 'A' shares of £1 each	1,000	1,000
1,887,000 Ordinary class 'B' shares of £1 each	1,887,000	1,737,000
	<u>£ 1,888,000</u>	<u>£ 1,738,000</u>

The holders of the ordinary class 'B' shares are entitled to participate in the profits of the company, have priority over the 'A' shareholders in repayment of capital on a winding up, and may share in any undistributed reserves once the 'A' shareholders are repaid, but are not entitled to vote except in limited circumstances. The holders of the ordinary class 'A' shares are entitled to vote, to repayment of capital after the 'B' shareholders, but not to participate in any undistributed reserves, and may not participate in the profits of the company.

During the year the company increased its authorised share capital to £5,000,000 through authorisation of a further 3 million ordinary class 'B' shares of £1 each. 150,000 shares were also issued at par, satisfied by means of a capitalisation of loans.

13. **PROFIT AND LOSS ACCOUNT**

	1998 £
Accumulated losses at 1st April 1997	(1,716,679)
Retained profit for the year	223,142
At 31st March 1998	<u>£(1,493,537)</u>

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

14. MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £
Equity shareholders' funds at 1st April 1997	21,321
Profit for the year	223,142
Issue of share capital	150,000
	<hr/>
Equity shareholders' funds at 31st March 1998	£ 394,463
	<hr/>

15. TRANSACTIONS WITH RELATED PARTIES

Y. Sachdev has influence over the activities of the company and is also a Director of Reliance Silicones (India) Limited. Details of sales and purchases during the year and balances at the year end with Reliance Silicones (India) Limited are as follows:-

	£
Purchases	£5,838,580
	<hr/>
Sales	£3,939,189
	<hr/>

At 31 March 1998 there were the following outstanding balances:

Purchase ledger	£1,162,222
	<hr/>
Other debtors	£1,760,640
	<hr/>
Other creditors includes £71,057 (1996: £156,651) owed to Y. Sachdev.	

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

16. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities at the balance sheet date. The company had the following annual commitment regarding operating leases covering the year from the balance sheet date:

	1998		1997	
	Land	Other	Land	Other
	£	£	£	£
On commitments expiring within:				
one year	-	781	18,339	3,601
two to five years	77,625	19,514	-	3,372
after more than five years	132,525	-	58,867	-
	<u>£210,150</u>	<u>£20,295</u>	<u>£77,206</u>	<u>£6,973</u>

At the year end, RMSP (UK) Limited had letters of credit in place totalling £97,421.

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

17. GROSS CASH FLOWS

	1998		1997	
	£	£	£	£
<u>Return on investments and servicing of finance</u>				
Interest receivable	4,435		2,472	
Interest payable	(80,186)		(20,006)	
Interest element of finance leases	-		(1,522)	
		(75,751)		(19,056)
<u>Capital expenditure</u>				
Purchase of tangible fixed assets	(7,939)		(41,873)	
Proceeds on disposal of fixed assets	11,900		-	
		3,961		(41,873)
<u>Financing</u>				
Capital element of finance leases	(6,626)		(3,754)	
Receipts from director	112,843		-	
Issue of new shares	150,000		-	
		256,217		(3,754)

18. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1997	Cash Flow	At 31 March 1998
Cash in hand and at bank	113,736	100,008	213,744
Bank overdraft	(226,345)	(118,349)	(344,694)
	(112,609)	(18,341)	(130,950)
Factoring advance	-	(1,273,951)	(1,273,951)
Finance leases	(6,626)	6,626	-
	£(119,235)	£(1,285,666)	£(1,404,901)

RMSP (UK) LIMITED

NOTES TO THE ACCOUNTS

31ST MARCH 1998

19. ULTIMATE PARENT COMPANY

In the opinion of the director, the ultimate parent company is Reliance Silicones (Jersey) No 2 Limited, a company based in Jersey, which owns 95% of the ordinary class 'A' shares.