

Company Registration No. 2874059 (England and Wales)

RMSP (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000



RMSP (UK) LIMITED

COMPANY INFORMATION

Director	G Egen
Secretary	M Watson
Company number	2874059
Registered office	20 Alan Turing Road Surrey Research Park Guildford Surrey GU2 5YF
Auditors	Smith & Williamson Onslow Bridge Chambers Bridge Street Guildford GU1 4RA

RMSP (UK) LIMITED

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RMSP (UK) LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2000

Principal activities and review of the business

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

The director is satisfied with the result for the year and expects profitability to continue in the coming year.

The impact of the euro has been considered and the company believes the system, which is currently handling the euro transactions is adequate, and no further costs are anticipated. There were no incremental costs incurred when implementing the system.

Results and dividends

The results for the year are set out on page 3.

The director does not recommend payment of an ordinary dividend.

Director's interests

The director has no interests in the share capital of the company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Smith & Williamson be reappointed as auditors of the company will be put to the Annual General Meeting.

Director's responsibilities

Company law requires the director 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 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 and explained in the financial statements;
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. 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.

By order of the board



G Egen
Director

21 December 2000

RMSP (UK) LIMITED

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

We have audited the financial statements on pages 3 to 15 which have been prepared in accordance with the accounting policies set out on page 7.

Respective responsibilities of the director and auditors

As described on page 1 the company's director is 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 director 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.

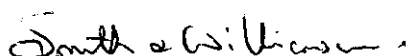
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 note 1.1 to the financial statements. 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 financial statements give a true and fair view of the state of the company's affairs as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Smith & Williamson

21 December 2000

Chartered Accountants
Registered Auditors

Onslow Bridge Chambers
Bridge Street
Guildford GU1 4RA

RMSP (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £	1999 £
Turnover	2	9,512,902	11,293,073
Cost of sales		(7,802,289)	(9,458,738)
Gross profit		1,710,613	1,834,335
Administrative expenses		(1,604,788)	(1,409,947)
Profit/(loss) on foreign exchange	3	118,749	(96,458)
Profit on ordinary activities before interest	3	224,574	327,930
Other interest receivable and similar income		5,601	14,830
Interest payable and similar charges	4	(105,907)	(135,959)
Profit on ordinary activities before taxation		124,268	206,801
Tax on profit on ordinary activities	5	-	(3,114)
Profit on ordinary activities after taxation	13	124,268	203,687

The profit and loss account has been prepared on the basis that all operations are continuing operations.

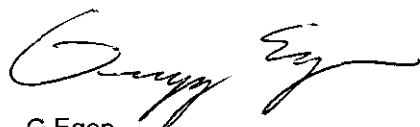
There are no recognised gains and losses other than those passing through the profit and loss account.

RMSP (UK) LIMITED

BALANCE SHEET AS AT 31 MARCH 2000

	Notes	2000 £	£	1999 £	£
Fixed assets					
Tangible assets	6		31,248		19,816
Current assets					
Stocks	7	359,516		665,792	
Debtors	8	7,444,767		5,908,644	
Cash at bank and in hand		28,487		379	
		<u>7,832,770</u>		<u>6,574,815</u>	
Creditors: amounts falling due within one year	9	<u>(7,139,168)</u>		<u>(5,989,879)</u>	
Net current assets			693,602		584,936
Total assets less current liabilities			<u>724,850</u>		<u>604,752</u>
Creditors: amounts falling due after more than one year	10		<u>(2,432)</u>		<u>(6,602)</u>
			<u>722,418</u>		<u>598,150</u>
Capital and reserves					
Called up share capital	12	1,888,000		1,888,000	
Profit and loss account	13	(1,165,582)		(1,289,850)	
Shareholders' funds - equity interests	14		<u>722,418</u>		<u>598,150</u>

The financial statements were approved by the Board on 21 December 2000



G Egen
Director

RMSP (UK) LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000**

	Year ended 31 March 2000 £	Year ended 31 March 1999 £
Net cash inflow/(outflow) from operating activities (note 1)	268,244	401,768
Returns on investment and servicing of finance		
Interest received	5,601	14,830
Interest paid	(105,907)	(135,959)
	<u>(100,306)</u>	<u>(121,129)</u>
Net cash inflow for returns on investments and servicing of finance	167,938	280,639
Taxation	(2,668)	-
Capital expenditure		
Purchase of tangible fixed assets	(25,994)	(18,103)
	<u>(25,994)</u>	<u>(18,103)</u>
Net cash inflow before management of liquid resources and financing	139,276	262,536
Management of financing		
New finance lease	-	12,657
Capital element of finance leases	(4,170)	(1,884)
Receipts/payments from/to director	(5,072)	5,072
Repayments of factoring advance	(55,806)	(246,882)
	<u>(65,048)</u>	<u>(231,037)</u>
Increase in cash in the year	<u>74,228</u>	<u>31,499</u>

RMSP (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

1	Reconciliation of operating profit to net cash inflow from operating activities	2000	1999
		£	£
	Operating profit	224,574	327,930
	Depreciation charges	14,562	8,997
	Decrease/(increase) in stocks	306,276	204,708
	Increase in debtors	(1,486,477)	(2,164,270)
	Increase in creditors within one year	1,209,309	2,023,053
	Loss on fixed asset disposal	-	1,350
	Net cash inflow/(outflow) from operating activities	268,244	401,768
2	Analysis of net funds	1 April 1999	Cash flow 31 March 2000
		£	£
	Net cash:		
	Cash at bank and in hand	379	28,109
	Bank overdrafts	(99,830)	46,119
		(99,451)	74,228
	Debt:		
	Finance leases	(10,773)	4,170
	Debts falling due within one year	(1,027,069)	55,806
	Net debts	(1,137,293)	134,204
3	Reconciliation of net cash flow to movement in net funds	2000	1999
		£	£
	Increase/(decrease) in cash in the year	74,228	31,499
	Cash outflow from repayment of finance leases	4,170	1,884
	Cash outflow/(inflow) from factoring advance	55,806	246,882
	Change in net debt resulting from cashflows	134,204	280,265
	New finance leases	-	(12,657)
	Movement in net debt in the year	134,204	267,608
	Opening net debt	(1,137,293)	(1,404,901)
	Closing net debt	(1,003,089)	(1,137,293)

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2000

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

Going Concern

The financial statements have been prepared on a going concern basis. The company is dependent on the support of Reliance Silicones (India) Limited (RSIL), a related party, for finance of working capital. RSIL has confirmed it will continue to support the company for the foreseeable future and for at least 12 months from the date of signing of the financial statements. Based on this support the director believes that the going concern basis is appropriate for the preparation of the financial statements.

1.2 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% straight line
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1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account equally over the life of the lease.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

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

1.7 Pensions

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% and 20% of pensionable salary and there is no unfunded liability.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

2 Turnover

The total turnover of the company for the year has been derived from its principal activity in the following markets:

Geographical market

	2000 £	1999 £
USA	1,859,512	2,429,272
Europe (including UK)	4,206,292	4,443,216
India (RSIL - related party)	2,048,349	3,613,049
India (third party)	258,907	170,469
Middle East	636,585	180,444
Other World	503,257	456,623
	<u>9,512,902</u>	<u>11,293,073</u>

3 Operating profit

	2000 £	1999 £
Operating profit is stated after charging:		
Depreciation of tangible assets	14,562	8,997
Operating lease rentals	158,850	194,429
Auditors' remuneration	15,500	11,000
Bank and trade finance charges	114,886	150,603
	<u></u>	<u></u>

Loss on foreign currency

The company carried 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.

4 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	64,389	101,330
Hire purchase interest	212	481
Amounts payable to factors	41,306	34,148
	<u>105,907</u>	<u>135,959</u>

5 Taxation

	2000 £	1999 £
U.K. current year taxation		
U.K. corporation tax at 20% (1999 - 21%)	-	3,114
	<u></u>	<u></u>

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

6 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 April 1999	73,608
Additions	25,994
Disposals	(4,742)
At 31 March 2000	94,860
Depreciation	
At 1 April 1999	53,792
On disposals	(4,742)
Charge for the year	14,562
At 31 March 2000	63,612
Net book value	
At 31 March 2000	31,248
At 31 March 1999	19,816

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £
Net book values	
At 31 March 2000	9,589
At 31 March 1999	11,809
Depreciation charge for the year	
31 March 2000	4,349
31 March 1999	3,936

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

7	Stocks	2000 £	1999 £
	Raw materials and consumables	359,516	665,792

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

8	Debtors	2000 £	1999 £
	Trade debtors	2,002,423	1,896,836
	Amounts owed by connected undertaking	4,968,741	3,723,129
	ACT recoverable	2,668	-
	Other debtors	425,160	247,445
	Prepayments and accrued income	45,775	41,234
		7,444,767	5,908,644

Amounts falling due after more than one year and included in the debtors above are:

	2000 £	1999 £
Other debtors	145,438	145,438

The amount due after more than one year relates to deposits paid on containers and on the company's premises.

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

9 Creditors: amounts falling due within one year	2000 £	1999 £
Bank loans and overdrafts	53,711	99,830
Net obligations under finance lease and hire purchase contracts	4,170	4,170
Trade creditors	5,737,245	4,606,231
Amounts owed to associated undertaking	88,365	-
Corporation tax	3,114	3,114
Other taxes and social security costs	22,735	23,649
Director's current accounts	112,843	117,915
Factoring advance	971,263	1,027,069
Accruals and deferred income	145,722	107,901
	<u>7,139,168</u>	<u>5,989,879</u>

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

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

The director's current account is unsecured, interest free and there are no fixed repayment terms.

10 Creditors: amounts falling due after more than one year	2000 £	1999 £
Net obligations under hire purchase contracts	<u>2,432</u>	<u>6,602</u>
Net obligations under hire purchase contracts		
Repayable within one year	4,170	4,170
Repayable between one and five years	2,432	6,602
	<u>6,602</u>	<u>10,772</u>
Included in liabilities falling due within one year	(4,170)	(4,170)
	<u>2,432</u>	<u>6,602</u>

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned.

11 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £73,270 (1999 - £76,572).

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

12 Share capital	2000 £	1999 £
Authorised		
4,999,000 Ordinary class 'B' shares of £ 1 each	4,999,000	4,999,000
1,000 Ordinary class 'A' shares of £ 1 each	1,000	1,000
	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid		
1,887,000 Ordinary class 'B' shares of £ 1 each	1,887,000	1,887,000
1,000 Ordinary class 'A' shares of £ 1 each	1,000	1,000
	<u>1,888,000</u>	<u>1,888,000</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 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.

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 1999	(1,289,850)
Retained profit for the year	124,268
Balance at 31 March 2000	<u>(1,165,582)</u>

14 Reconciliation of movements in shareholders' funds	2000 £	1999 £
Profit for the financial year	124,268	203,687
Opening shareholders' funds	598,150	394,463
Closing shareholders' funds	<u>722,418</u>	<u>598,150</u>

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

15 Financial commitments

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2000	1999	2000	1999
	£	£	£	£
Expiry date:				
Within one year	-	35,578	6,312	1,033
Between two and five years	-	-	12,474	21,222
In over five years	176,700	176,700	-	6,692
	<u>176,700</u>	<u>212,278</u>	<u>18,786</u>	<u>28,947</u>

At the year end, RMSP (UK) Limited had letters of credit in place totalling £240,501.

16 Director's emoluments

	2000	1999
	£	£
Emoluments for qualifying services	116,242	124,612
Company pension contributions to money purchase schemes	25,126	24,674
	<u>141,368</u>	<u>149,286</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (1999 - 1).

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2000 Number	1999 Number
Administration	7	7
Sales and marketing	5	4
	<u>12</u>	<u>11</u>

Employment costs

	£	£
Wages and salaries	834,431	601,242
Social security costs	45,789	54,572
Other pension costs	73,270	76,572
	<u>953,490</u>	<u>732,386</u>

18 Control

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.

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

19 Related party transactions

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

	SMAY Investments Ltd	SMAY Investment FZE	Reliance Silicone (India) Ltd
Purchases	£0	£884,762	£4,950,388
Sales	£0	£286,055	£2,048,349
At 31 March 2000 there were the following outstanding balances:-			
Purchase ledger	£0	£397,086	£4,008,699
Other balances payable	£0	£88,365	£0
Sales ledger	£0	£286,055	£0
Other balances receivable	£181,669	£0	£4,787,072

Other debtors includes £198,314 (1998 : £54,939), a balance payable by Y Sachdev. This has been repaid since the year end.