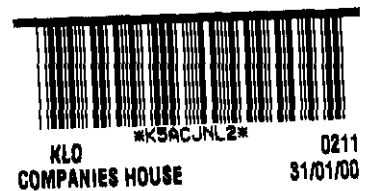


Company Registration No. 2874059 (England and Wales)

RMSP (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999



RMSP (UK) LIMITED

COMPANY INFORMATION

Director	G Egen
Secretary	J Glover
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 1999

Principal activities and review of the business

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

RMSP successfully maintained its ongoing development strategy characterised by steady sales and margin growth at both gross and operating levels, despite sustained pressures on market prices during the year under review. Total turnover rose 9.2% to £11.3 million owing principally to expansion of contract sales to our sales to our largest US and European customers in the pharmaceutical sector, coupled with an improved sales mix. Excluding lower margin sales of raw materials to India, the Company's specialty silanes and silicones turnover actually grew at a rate in excess of 17.0%; this reflected the benefits of both a broader geographic client base and increased availability of own-brand Silcorel® silicone products from our principal supplier, Reliance Silicones (India) Limited ("RSIL"). RSIL successfully completed several projects for its existing production plant during the latter half of the year, leading to higher volumes and improved pricing for bulk deliveries of silicone fluid products across key markets - a favourable trend which is expected to gather pace and underpin RMSP's sales and market share growth in the year ahead.

Accordingly, gross margin rose to £1.8 million or 16.2% (14.7% in 97/98), with some cost benefits flowing through lower logistics rates, principally for bulk transport and warehousing expenses. Improved management efficiencies enabled operating profits before interest and bank charges to post a healthy rise, up by 17.0% to £478k - notwithstanding the impact of higher administrative expenses and an adverse translation effect of a strong pound upon international sales which are principally based in US dollars. A sharply higher level of bank interest and service charges in the year (which increased by 50% to approximately £286k) led to marginally lower net earnings of £206k.

The company's outlook remains very positive: the business has developed a significant international profile as a quality supplier of specialty silicone products with a broad spectrum of industrial customers who have approved our Silcorel® products. Demand for our core products internationally remains robust, from industrial end-users and prospective distributors alike. Steady expansion of our independent marketing and service capabilities combined with the continued support of RSIL as a dedicated manufacturer possessing one of the most cost effective manufacturing bases in the silicones industry and important strengths which we believe will enable the Company to accelerate sales and earnings growth in the future.

Results and dividends

The results for the year are set out on page 4.

The director does not recommend payment of an ordinary dividend.

Year 2000

We have identified the key risks to the business and have developed a plan to minimise their impact. We have considered not only our own systems but also those of our major suppliers and customers. Although no organisation can guarantee that no year 2000 problems will arise, we believe that, having identified and removed the major risks to the business in accordance with the plan we have developed, it will be possible to quickly resolve any such problems as may arise without significant additional costs.

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.

RMSP (UK) LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 1999

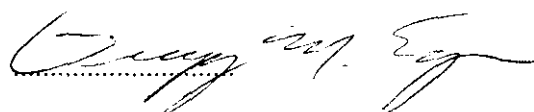
Director's responsibilities

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



31/01/2000

RMSP (UK) LIMITED

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

We have audited the financial statements on pages 4 to 16 which have been prepared in accordance with the accounting policies set out on page 8.

Respective responsibilities of the director and auditors

As described on page 2 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.

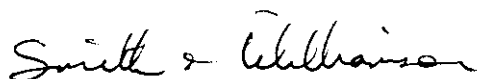
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Smith & Williamson

Chartered Accountants
Registered Auditors

31 January 2000

Onslow Bridge Chambers
Bridge Street
Guildford
GU1 4RA

RMSP (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £	1998 £
Turnover	2	11,293,073	10,337,653
Cost of sales		(9,458,738)	(8,815,044)
Gross profit		1,834,335	1,522,609
Administrative expenses		(1,409,947)	(1,115,765)
Loss on foreign exchange	3	(96,458)	(76,022)
Profit on ordinary activities before interest	3	327,930	330,822
Other interest receivable and similar income	4	14,830	4,435
Interest payable and similar charges	5	(135,959)	(112,115)
Profit on ordinary activities before taxation		206,801	223,142
Tax on profit on ordinary activities	6	(3,114)	-
Profit on ordinary activities after taxation	14	203,687	223,142

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.

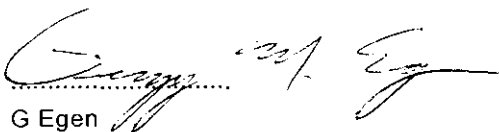
The 1998 figures have been adjusted to categorise factoring charges under interest payable and similar charges rather than bank charges. This is seen as the correct classification.

RMSP (UK) LIMITED

BALANCE SHEET AS AT 31 MARCH 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	7		19,816		12,061
Current assets					
Stocks	8	665,792		870,500	
Debtors	9	5,908,644		3,744,374	
Cash at bank and in hand		379		213,744	
		<u>6,574,815</u>		<u>4,828,618</u>	
Creditors: amounts falling due within one year	10	<u>(5,989,879)</u>		<u>(4,446,216)</u>	
Net current assets			584,936		382,402
Total assets less current liabilities			604,752		394,463
Creditors: amounts falling due after more than one year	11		<u>(6,602)</u>		<u>-</u>
			<u>598,150</u>		<u>394,463</u>
Capital and reserves					
Called up share capital	13		1,888,000		1,888,000
Profit and loss account	14		<u>(1,289,850)</u>		<u>(1,493,537)</u>
Shareholders' funds - equity interests	15		<u>598,150</u>		<u>394,463</u>

The financial statements were approved by the Board on 31/01/2000


G Egen

Director

RMSP (UK) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	Year ended 31 March 1999 £	Year ended 31 March 1998 £
Net cash inflow/(outflow) from operating activities (note 1)	401,768	(1,444,790)
Returns on investment and servicing of finance		
Interest received	14,830	4,435
Interest paid	(135,959)	(112,115)
	<u>(86,981)</u>	<u>(75,751)</u>
Net cash inflow for returns on investments and servicing of finance	280,639	(1,552,470)
Capital expenditure		
Purchase of tangible fixed assets	(18,103)	(7,939)
Receipts from sales of tangible assets	-	11,900
	<u>(18,103)</u>	<u>3,961</u>
Net cash inflow before management of liquid resources and financing	262,536	(1,548,509)
Management of financing		
New finance lease	12,657	-
Capital element of finance leases	(1,884)	(6,626)
Receipts from director	5,072	112,843
Issue of new shares	-	150,000
Repayments of factoring advance	(246,882)	-
Receipts from factoring advance	-	1,273,951
	<u>(231,037)</u>	<u>1,530,168</u>
Increase/(decrease) in cash in the year	<u>31,499</u>	<u>(18,341)</u>

RMSP (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

1	Reconciliation of operating profit to net cash inflow from operating activities		1999 £	1998 £
	Operating profit		327,930	330,822
	Depreciation charges		8,997	47,439
	Decrease/(increase) in stocks		204,708	(332,925)
	Increase in debtors		(2,164,270)	(1,816,053)
	Increase in creditors within one year		2,023,053	319,298
	Loss on fixed asset disposal		1,350	6,629
	Net cash inflow/(outflow) from operating activities		401,768	(1,444,790)
2	Analysis of net funds	1 April 1998	Cash flow Other non- cash changes £ £	31 March 1999 £
	Net cash:			
	Cash at bank and in hand	213,744	(213,365)	379
	Bank overdrafts	(344,694)	244,864	(99,830)
		(130,950)	31,499	(99,451)
	Debt:			
	Finance leases	-	1,884	(10,773)
	Debts falling due within one year	(1,273,951)	246,882	(1,027,069)
	Net debts	(1,404,901)	280,265	(1,137,293)
3	Reconciliation of net cash flow to movement in net funds		1999 £	1998 £
	Increase/(decrease) in cash in the year		31,499	(18,341)
	Cash outflow from repayment of finance leases		1,884	6,626
	Cash outflow/(inflow) from facturing advance		246,882	(1,273,951)
	Change in net debt resulting from cashflows		280,265	1,285,666
	New finance leases		(12,657)	-
	Movement in net debt in the year		267,608	(1,285,666)
	Opening net debt		(1,404,901)	(119,235)
	Closing net debt		(1,137,293)	(1,404,901)

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

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 continues to be dependent on the support of its bankers and an invoice discounting facility although it has reduced this dependency during the period since the balance sheet date. The director is confident that adequate facilities will remain in place for 12 months from the date of signing of the financial statements and 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
--------------------------------	-------------------

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 FOR THE YEAR ENDED 31 MARCH 1999

2 Turnover

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

Geographical market

	1999 £	1998 £
USA	2,429,272	1,517,983
Europe (including UK)	4,443,216	3,910,944
India (RSIL - related party)	3,613,049	3,757,634
India (third party)	170,469	44,444
Middle East	180,444	967,146
Other World	456,623	139,502
	<u>11,293,073</u>	<u>10,337,653</u>

3 Operating profit

	1999 £	1998 £
Operating profit is stated after charging:		
Depreciation of tangible assets	8,997	47,438
Operating lease rentals	194,429	168,403
Auditors' remuneration	11,000	10,000
Bank and trade finance charges	<u>150,603</u>	<u>77,892</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 Other interest receivable and similar income

	1999 £	1998 £
Bank interest	<u>14,830</u>	<u>4,435</u>

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

5	Interest payable and similar charges	1999	1998
		£	£
	On bank loans and overdrafts	101,330	80,186
	Hire purchase interest	481	-
	Amounts payable to factors	34,148	31,929
		<u>135,959</u>	<u>112,115</u>
6	Taxation	1999	1998
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 21% (1998- 0%)	<u>3,114</u>	<u>-</u>

There was no liability to taxation arising during 1998 due to losses incurred to date. There is no provided or unprovided liability to deferred taxation.

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

7 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 April 1998	83,257
Additions	18,103
Disposals	(27,752)
	<hr/>
At 31 March 1999	73,608
	<hr/>
Depreciation	
At 1 April 1998	71,197
On disposals	(26,402)
Charge for the year	8,997
	<hr/>
At 31 March 1999	53,792
	<hr/>
Net book value	
At 31 March 1999	19,816
	<hr/>
At 31 March 1998	12,060
	<hr/>

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

	Fixtures, fittings & equipment £
Net book values	
At 31 March 1999	11,809
	<hr/>
Depreciation charge for the year	
31 March 1999	3,936
	<hr/>

8 Stocks	1999 £	1998 £
Raw materials and consumables	665,792	870,500
	<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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

9 Debtors	1999 £	1998 £
Trade debtors	1,896,836	1,790,611
Amounts owed by connected undertaking	3,723,129	1,760,640
Other debtors	247,445	192,773
Prepayments and accrued income	41,234	350
	<u>5,908,644</u>	<u>3,744,374</u>

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

	1999 £	1998 £
Other debtors	<u>145,438</u>	<u>145,438</u>

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

10 Creditors: amounts falling due within one year	1999 £	1998 £
Bank loans and overdrafts	99,830	344,694
Net obligations under finance lease and hire purchase contracts	4,170	-
Trade creditors	4,606,231	2,530,203
Corporation tax	3,114	-
Other taxes and social security costs	23,649	22,550
Director's current accounts	117,915	112,843
Other creditors	-	71,057
Factoring advance	1,027,069	1,273,951
Accruals and deferred income	107,901	90,918
	<u>5,989,879</u>	<u>4,446,216</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.

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

11 Creditors: amounts falling due after more than one year	1999 £	1998 £
Net obligations under finance leases and hire purchase agreements	6,602	-
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	4,170	-
Repayable between one and five years	6,602	-
	10,772	-
Included in liabilities falling due within one year	(4,170)	-
	6,602	-

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

12 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 £76,572 (1998- £31,834).

13 Share capital	1999 £	1998 £
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
	5,000,000	5,000,000
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
	1,888,000	1,888,000

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.

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 1998	(1,493,537)
Retained profit for the year	203,687
	<hr/>
Balance at 31 March 1999	(1,289,850)
	<hr/>

15 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	203,687	223,142
Proceeds from issue of shares	-	150,000
	<hr/>	<hr/>
Net addition to shareholders' funds	203,687	373,142
Opening shareholders' funds	394,463	21,321
	<hr/>	<hr/>
Closing shareholders' funds	598,150	394,463
	<hr/>	<hr/>

16 Contingent liabilities

There were no contingent liabilities at the balance sheet date.

17 Financial commitments

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1999 £	1998 £	1999 £	1998 £
Expiry date:				
Within one year	35,578	-	1,033	781
Between two and five years	-	77,625	21,222	19,514
In over five years	176,700	132,525	6,692	-
	<hr/>	<hr/>	<hr/>	<hr/>
	212,278	210,150	28,947	20,295
	<hr/>	<hr/>	<hr/>	<hr/>

At the year end, RMSP (UK) Limited had letters of credit in place totalling £104,640.

RMSP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

18 Director's emoluments	1999 £	1998 £
Emoluments for qualifying services	124,612	82,501
Company pension contributions to money purchase schemes	24,674	16,335
	<u>149,286</u>	<u>98,836</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (1998- 0).

19 Employees

Number of employees

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

	1999 Number	1998 Number
Administration	7	5
Sales and marketing	4	3
	<u>11</u>	<u>8</u>

Employment costs

	£	£
Wages and salaries	601,242	409,183
Social security costs	54,572	34,456
Other pension costs	76,572	31,784
	<u>732,386</u>	<u>475,423</u>

20 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 FOR THE YEAR ENDED 31 MARCH 1999

21 Related party transactions

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	<u>£5,168,561</u>
Sales	<u>£3,613,049</u>
At 31 March 1999 there were the following outstanding balances:-	
Purchase ledger	<u>£2,618,351</u>
Other debtors	<u>£3,723,129</u>

Other debtors includes £54,939 (1998 : included within other creditors, £71,057), a balance with Y Sachdev.