

PLAST CHEM INTERNATIONAL LTD

Annual report and financial statements

Year ended 29 February 2000



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Registered number: 3300499

PLAST CHEM INTERNATIONAL LIMITED

Annual report and financial statements for the year ended 29 February 2000

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Directors

P A White
N J Rowbottom

Secretary

A C Edwards

Registered office

Road One
Winsford Industrial Estate
Winsford
Cheshire
CW7 3QQ

Registered number

3300499

Auditors

BDO Stoy Hayward
Peter House
St Peter's Square
Manchester M1 5BH

PLAST CHEM INTERNATIONAL LIMITED

Report of the directors for the year ended 29 February 2000

The directors submit their report together with the audited financial statements for the year ended 29 February 2000.

Results and dividends

The profit and loss account is set out on page 4 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activity of the company is that of micro reduction and material processing.

The company has reached the stage where it can more actively market and sell its products which have been reflected in the year's figures. The directors are confident that the company will become profitable in the foreseeable future.

Future developments include a partnership to commercialise a pilot plant for Plasma Spray Technology with Manchester University. Subject to its success this will be a high value process which will be reflected in licensing fees, royalties and prices charged.

Directors

The directors of the company during the year and their interests in the share capital of the company were:

	Ordinary shares of £1 each	
	28 February 2000	28 February 1999
P A White	-	-
N J Rowbottom	-	-

P A White and N J Rowbottom are also directors of the ultimate parent undertaking, Reflec plc, and their interests in the share capital of the group are given in that company's financial statements.

Year 2000

The Company continues to review the ongoing impact of the year 2000 issue on systems central to the Company's activity and preparation of the financial statements. In particular we consider application systems, operating systems and hardware. Continuing plans are in place to ensure that the impact of dates throughout the year 2000 do not create significant material misstatement in the Company's accounting records or adversely affect business operations.

PLAST CHEM INTERNATIONAL LIMITED

Report of the directors for the year ended 29 February 2000 (*Continued*)

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 and of the profit or loss of the company for that year. 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 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



A. Edwards
Secretary

24 May 2000

Report of the auditors

To the shareholders of Plast Chem International Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the 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 an 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 misstatements, 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 as at 29 February 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Manchester

24 May 2000

PLAST CHEM INTERNATIONAL LIMITED

Profit and loss account for the year ended 29 February 2000

	Note	2000	1999
		£	£
Turnover	3	728,425	497,543
Cost of sales		263,569	216,608
Gross profit		<u>464,856</u>	<u>280,935</u>
Distribution costs		28,746	11,148
Administrative expenses		<u>935,955</u>	<u>904,466</u>
		964,701	915,614
Operating loss	4	<u>(499,845)</u>	<u>(634,679)</u>
Interest payable	7	17	878
Loss on ordinary activities before taxation		<u>(499,862)</u>	<u>(635,557)</u>
Taxation on loss on ordinary activities	8	-	-
Loss for the financial year		<u><u>(499,862)</u></u>	<u><u>(635,557)</u></u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 13 form part of these financial statements

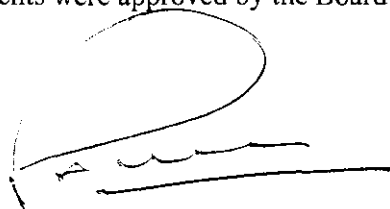
PLAST CHEM INTERNATIONAL LIMITED

Balance sheet at 29 February 2000

	Note	2000		1999	
		£	£	£	£
Fixed assets					
Intangible assets	9		94,242		119,583
Tangible assets	9		1,249,286		1,032,862
			<u>1,343,528</u>		<u>1,152,445</u>
Current assets					
Stocks	11	156,012		60,184	
Debtors - due within one year	12	451,788		174,212	
Cash and bank		28,964		119	
		<u>636,764</u>		<u>234,515</u>	
Creditors: amounts falling due within one year		<u>346,891</u>		<u>415,932</u>	
Net current assets/(liabilities)			289,873		(181,417)
Total assets less current liabilities	13		<u>1,633,401</u>		<u>971,028</u>
Creditors: amounts falling due after more than one year	14		3,237,676		2,075,441
Capital and reserves					
Called up share capital	16	575,000		575,000	
Profit and loss account	17	(2,179,275)		(1,679,413)	
Equity shareholders' funds	18		<u>(1,604,275)</u>		<u>(1,104,413)</u>
			<u>1,633,401</u>		<u>971,028</u>

These financial statements were approved by the Board on 24 May 2000.

PA White
Director



The notes on pages 6 to 13 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following accounting policies, which have not changed in the year, have been applied:

Turnover

Turnover represents sales to external customers at invoiced amount less value added tax.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings	-	15% straight line basis
Plant and machinery	-	10% straight line basis
Motor vehicles	-	25% straight line basis

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as the cost of materials, direct labour and appropriate production overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Intangible assets

Intangible assets comprise licence fees and are stated at cost. They are amortised through the profit and loss account over the estimated useful life of the asset.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 (revised) as it is a wholly owned subsidiary whose ultimate parent company produces a consolidated cash flow statement.

Pension costs

Defined contributions to the directors' personal pension plans are charged to the profit and loss account in the year in which they become payable.

1 Accounting policies (*continued*)

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, except when individual projects satisfy the following criteria: the project is clearly defined and related expenditure is separately identifiable; the project is technically feasible and commercially viable; current and future costs will be exceeded by future sales; and adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year when the company begins to benefit from the expenditure.

Leases and hire purchase contracts

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the fourteen months of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Hire purchase contracts are treated identically to finance leases.

Operating lease rentals are charged to profit as incurred.

2 Basis of preparation

During the year, the directors of Reflec Plc, the company's parent undertaking, raised further funds for the Group by way of a share placing. Due to the continuing support of the parent undertaking the directors of the Company therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

PLAST CHEM INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 29 February 2000 (Continued)

3 Turnover

Turnover is wholly attributable to the company's principal activity. Turnover is analysed by market below:

	2000 £	1999 £
United Kingdom	719,374	466,458
Other European countries	-	31,085
Asia	9,051	-
	<u>728,425</u>	<u>497,543</u>

4 Operating loss

	2000 £	1999 £
This is arrived at after charging:-		
Amortisation of intangible assets	36,538	35,000
Depreciation of tangible fixed assets	108,387	108,107
Hire of other assets - operating leases	12,522	13,236
Auditors' remuneration - audit services	6,000	4,900
	<u></u>	<u></u>

5 Employees

The average monthly number of employees, including directors, during the year was as follows:

	2000 Number	1999 Number
Administrative	8	8
Production	13	10
	<u>21</u>	<u>18</u>

Staff costs for all employees, including executive directors, consist of:

	2000 £	1999 £
Wages and salaries	321,742	271,278
Social security costs	34,477	21,702
Other pension costs	9,225	10,144
	<u>365,444</u>	<u>303,124</u>

6 Directors

	2000 £	1999 £
Directors' emoluments consist of:		
Emoluments for services	65,822	22,500
Contributions to defined contribution pension schemes	4,800	2,400
	<u>70,622</u>	<u>24,900</u>

PLAST CHEM INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 29 February 2000 (*Continued*)

6 Directors (*continued*)

Directors who are in defined contribution schemes are as follows:

	2000 Number	1999 Number
Defined contribution pension scheme	1	1

No director is a member of a defined benefit scheme.

7 Interest payable

	2000 £	1999 £
Bank borrowings	17	878

8 Taxation on profit on ordinary activities

There is no corporation tax liability due to the availability of losses.

9 Fixed assets

Intangible assets

	Licences £
<i>Cost</i>	
As at 1 March 1999	175,000
Addition	11,197
As at 29 February 2000	186,197
<i>Amortisation</i>	
As at 1 March 1999	55,417
Provision for year	36,538
As at 29 February 2000	91,955
<i>Net book value</i>	
At 29 February 2000	94,242
At 29 February 1999	119,583

PLAST CHEM INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 29 February 2000 (*Continued*)

9 Fixed assets(*continued*)

Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>				
As at 1 March 1999	1,164,610	1,228	3,650	1,169,488
Additions	331,048	12,473	-	343,521
Disposal	(21,210)	-	-	(21,210)
As at 29 February 2000	<u>1,474,448</u>	<u>13,701</u>	<u>3,650</u>	<u>1,491,799</u>
<i>Depreciation</i>				
As at 1 March 1999	135,192	112	1,322	136,626
Provision for year	107,294	180	913	108,387
Disposals	(2,500)	-	-	(2,500)
As at 29 February 2000	<u>239,986</u>	<u>292</u>	<u>2,235</u>	<u>242,513</u>
<i>Net book value</i>				
At 29 February 2000	<u>1,234,462</u>	<u>13,409</u>	<u>1,415</u>	<u>1,249,286</u>
At 29 February 1999	<u>1,029,418</u>	<u>1,116</u>	<u>2,328</u>	<u>1,032,862</u>

10 Investments

100% of the share capital of Corrosion Control International UK Limited was acquired on 4 August 1997 at a cost of £575,000. This has been provided against as a permanent diminution in value and the Company was put into liquidation on 26 January 2000.

Consolidated accounts have not been prepared, as the company is a wholly owned subsidiary undertaking of a U.K. company, Reflec Plc.

PLAST CHEM INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 29 February 2000 (Continued)

11 Stocks	2000 £	1999 £
Raw materials	156,012	60,184

There is no material difference between the replacement cost of stock and the value at which it is stated in the financial statements.

12 Debtors	2000 £	1999 £
Trade debtors	277,002	114,874
Other debtors	22,500	22,500
Prepayments and accrued income	30,039	36,838
Amounts due from group companies	122,247	-
	451,788	174,212

13 Creditors: amounts falling due within one year	2000 £	1999 £
Bank overdraft	29,923	89,174
Trade creditors	187,139	170,478
Accruals	114,641	85,818
Other creditors	-	61,667
Taxation and Social security	15,188	7,005
Hire purchase	-	1,790
	346,891	415,932

14 Creditors: amounts falling due after more than one year	2000 £	1999 £
Amounts owed to group companies	3,237,676	2,055,858
Other creditors	-	19,583
	3,237,676	2,075,441

Obligations under finance leases and hire purchase contracts are due as follows:

	2000 £	1999 £
Less than 1 year	-	1,790

PLAST CHEM INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 29 February 2000 (*Continued*)

15 Deferred taxation

	2000		1999	
	Unprovided	Provided in accounts	Unprovided	Provided in accounts
	£	£	£	£
Accelerated capital allowances	-	208,515	-	135,299
Sundry timing differences	-	(16,500)	-	-
Losses	(458,436)	(192,015)	(339,359)	(135,299)
	<u>(458,436)</u>	<u>-</u>	<u>(339,359)</u>	<u>-</u>

16 Share capital

	Authorised		Allotted, called up and fully paid	
	2000	1999	2000	1999
	£	£	£	£
Ordinary shares of £1	<u>575,000</u>	<u>575,000</u>	<u>575,000</u>	<u>575,000</u>

17 Reserves

	Profit and loss account	
	2000	1999
	£	£
At start of year	(1,679,413)	(1,043,856)
Retained loss for the year	(499,862)	(635,557)
End of year	<u>(2,179,275)</u>	<u>(1,679,413)</u>

18 Reconciliation of movements in shareholders' funds

	2000	1999
	£	£
Loss for the financial year	(499,862)	(635,557)
Opening shareholders' funds	(1,104,413)	(468,856)
Shareholders' funds at 29 February 2000/28 February 1999	<u>(1,604,275)</u>	<u>(1,104,413)</u>

PLAST CHEM INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 29 February 2000 (*Continued*)

19 Commitments under operating leases

As at 29 February 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within two to five years	-	5,000	-	4,308

20 Related party transactions

The company has taken advantage of the exemption not to disclose the transactions with other group undertakings as voting rights are controlled within the group and consolidated financial statements are publicly available.

During the year, the following transactions took place with International Pipeline Consultancy Ltd (IPC) a major shareholder of the company's parent undertaking:

	£
Commission paid to IPC	23,503
Consultancy services provided to IPC	22,500

At the year end £22,500 was due from IPC and £1,615 was owed by IPC. These amounts are included within notes 12 and 13 respectively.

21 Parent undertaking

The ultimate parent undertaking is Reflec plc, a company incorporated in the United Kingdom.