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INTERNATIONAL COATING PRODUCTS (UK) LTD.

ACCOUNTS FOR THE YEAR ENDED

31ST DECEMBER 1997

REGISTERED NUMBER 1006417



R. J. Gale, BA(Hons) FCA,
6, Greenfields Road,
Dereham,
Norfolk,
NR20 3TE

INTERNATIONAL COATING PRODUCTS (UK) LTD.

ACCOUNTS FOR THE YEAR ENDED

31ST DECEMBER 1997

COMPANY INFORMATION

DIRECTORS:

C.M.T. Hermelin

M. Hermelin

REGISTERED OFFICE:

Chichester House,
278/282, High Holborn,
London WC1V 7HA.

BANKERS:

Lloyds Bank plc.,
Slough Central Branch,
24, High St.,
Slough,
SL1 1EJ

AUDITOR:

Robert J. Gale, BA(Hons) FCA,
Chartered Acct & Registered Auditor,
6, Greenfields Road,
Dereham,
Norfolk,
NR20 3TE

INTERNATIONAL COATING PRODUCTS (UK) LTD.

DIRECTORS' REPORT

The directors submit their annual report on the affairs of the company, together with the audited financial statements for the year ended 31st December 1997.

PRINCIPAL ACTIVITY

The principal activity of the company under review was the distribution of the "Alltek" surface coating products and application equipment to the construction industry and licensing of production rights with "know-how" of the said coatings.

The company has increased its engagement in direct marketing and selling of its products as a complement and in addition to its traditional marketing of technical service.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The results for the year ended 31st December 1997 are set out on page 4 and the financial position of the company as at that date are as set out on page 5.

Since the year end, the company has acquired the manufacturing and certain exclusive marketing rights for the Alltek products. The production is being transferred from Italy to a newly-formed subsidiary, ICP (France) S.a.r.l., which is building a new production facility at Lagnieu in France. The acquisition is partly being financed by the issue, to date, of 31200 new shares, which has raised £198000. The remainder of the acquisition has been financed by a 5 year loan of £250000, and a short term banking facility of £150000, which should be eliminated on the issue of further shares. In addition, the current director's loan has been converted into new shares.

The company has also acquired minority shareholdings in two Republic of China companies, Alltek Shanxi (25%) and Beijing New Coatings Ltd. (30%), the shares being received in lieu of front end fees.

DIVIDEND

No dividend has been or is intended to be declared in respect of the calendar year 1997.

DIRECTORS

The directors interest in the share capital of the company is as follows:

	<u>Class of capital</u>	<u>31.12.97</u>	<u>31.12.96</u>
C.M.T. Hermelin	Ordinary shares	1	1
M. Hermelin	Ordinary shares	-	-

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 the 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 a 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 ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud or any other irregularities.

CLOSE COMPANY

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

For and on behalf of the Board

Reynolds Porter Chamberlain
Reynolds, Porter, Chamberlain

Secretary

20th July 1998

AUDITOR'S REPORT TO INTERNATIONAL COATING PRODUCTS (UK) LTD.
UNDER SECTION 247B OF THE COMPANIES ACT 1985

I have examined the abbreviated accounts set out on pages 5 to 9 together with the financial statements of the company for the year ended 31st December prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditor.

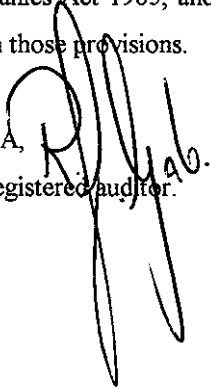
The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is my responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246(5) & (6) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report my opinion to you.

Basis of opinion

I have carried out the procedures I consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of my work for the purpose of this report did not include examining or dealing with events after the date of my report on the financial statements

Opinion

In my opinion the company is entitled to deliver abbreviated accounts in accordance with sections 246(5) & (6) of the Companies Act 1985, and the abbreviated accounts on pages 4 to 7 are properly prepared in accordance with those provisions.

R.J. GALE, BA (Hons), FCA, 
Chartered accountant and registered auditor.
6, Greenfields Road,
Dereham,
Norfolk,
NR20 3TE

Date: 20/7/98.

INTERNATIONAL COATING PRODUCTS (UK) LIMITED

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>NOTE</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER	1(a)	396527	371760
Cost of sales		248354	268871
GROSS PROFIT		148173	102889
Administration expenses		148173	101970
OPERATING PROFIT/ (LOSS)	2	0	919
Corporation Tax Payable	3	0	0
NET PROFIT/ (LOSS AFTER TAXATION		0	919

INTERNATIONAL COATING PRODUCTS (UK) LIMITED
BALANCE SHEET
AS AT 31ST DECEMBER 1997

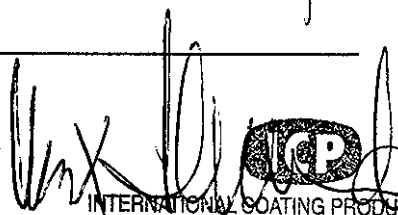

	NOTE	<u>1997</u> £	<u>1996</u> £
FIXED ASSETS			
Tangible assets	4	6710	1219
CURRENT ASSETS:			
Stock	5	16835	4787
Debtors	6	97455	53510
Cash at Banks		14218	25094
Administration expenses		128508	83391
CREDITORS			
Amounts falling due within one year	7	-288720	-238112
NET CURRENT LIABILITIES		-160212	-154721
TOTAL NET LIABILITIES		-153502	-153502
CAPITAL AND RESERVES			
Share capital	8	43745	43745
Profit & loss account	9	-197247	-197247
		-153502	-153502

DIRECTORS' STATEMENT

- 1) The directors acknowledge their responsibilities as detailed on page 2
- 2) In preparing these accounts, we have relied upon exemptions provided by Section 246 (or Schedule 8, para 23) and we have done so on the grounds that the company is entitled to those exemptions as a small company.

Approved by the Board on *20th July 1998*

C.M.T. Hermelin



 INTERNATIONAL COATING PRODUCTS (UK) LTD.
 CHICHESTER HOUSE, 278/282 HIGH HOLBORN,
 LONDON WC1V 7HA, ENGLAND

INTERNATIONAL COATING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

1 PRINCIPAL ACCOUNTING POLICIES

As in previous years, the accounts are prepared in accordance with the historical cost convention.

The following is a summary of the more important accounting policies used by the company.

a) **TURNOVER** represents the total value of goods and services (excluding VAT) supplied and charged to customers.

b) **TANGIBLE FIXED ASSETS** are stated at cost less accumulated depreciation thereon.

DEPRECIATION is calculated to write off the cost of tangible assets over their respective expected economic lives. The annual rate used for this purpose is 25% straight line.

c) **STOCKS** are valued at the lower of cost and net realisable value on a first-in first-out basis. Net realisable value is based on an estimated selling price less any costs expected to be incurred prior to completion and disposal. Due provision will be made for slow moving or obsolete stock.

d) **TAXATION.** No provision has been made for taxation due as the accumulated losses exceed the timing differences.

economic lives. The annual rate used for this purpose is 25% straight line.

e) **CASH FLOW STATEMENTS.** The company is exempt from including cash flow statements as part of their financial statements.

f) **FOREIGN CURRENCY** is translated at year end rates for all transactions

2 OPERATING PROFIT (LOSS) IS STATED AFTER CHARGING

	<u>1997</u>	<u>1996</u>
Directors remuneration	81327	27513
Other staff costs	0	0
Auditor's remuneration	1450	1250
Depreciation	1216	1481

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax payable	0	0
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4 TANGIBLE FIXED ASSETS

	Plant & Equipment	Motor Vehicles	Office Equipment	Land	Totals
Cost at 1.1.97	807	9495	5922	0	16224
Additions in the year	0	0	0	6708	6708
Disposals	0	-9495	0	0	-9495
Cost as at 31.12.97	807	0	5922	6708	13437
Depreciation as at 1.1.97	806	9494	4705	0	15005
Provided in the year	0	0	1216	0	1216
Disposals	0	-9494	0	0	-9494
Depreciation as at 31.12.97	806	0	5921	0	6727
Net Book Value 31.12.96	1	1	1217	0	1219
Net Book Value 31.12.97	1	0	1	6708	6710

INTERNATIONAL COATING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1997

5 STOCKS

	<u>1997</u>	<u>1996</u>
Goods held for resale	16835	4787
The directors are of the opinion that there are no significant differences between replacement cost and the book values stated above. Stock is stated net of slow moving and obsolete stock provisions		

6 DEBTORS

	<u>1997</u>	<u>1996</u>
Trade debtors due within one year	91803	53330
Other debtors & prepayments	5652	180
	97455	53510

7 CREDITORS

	<u>1997</u>	<u>1996</u>
Bank overdraft	0	0
Accruals	150	836
Trade creditors	181678	88476
Tax & social security costs	0	0
Other creditors	107042	148800
	288870	238112

8 SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
Aurhorised: Ordinary shares of £1 each	200000	100000
Issued & fully paid: Ordinary £1 shares	43745	43745

9 PROFIT & LOSS ACCOUNT

	<u>1997</u>	<u>1996</u>
As at 1st January 1997	-197247	-198166
Profit (Loss) for the year	0	919
As at 31st December 1997	-197247	-197247

10 CAPITAL COMMITMENTS

There were no capital commitments contracted, or authorised but not contracted, (1995 nil) at the year end.

INTERNATIONAL COATING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1997

11 SUBSEQUENT EVENTS

Since the year end, the company has acquired the manufacturing and selling rights of Alltek. A new French subsidiary, ICP (France) has been created to produce the product at a newly- constructed facility at Lagnieu in France. In addition, the parent company, ICP (UK), has issued further shares, both by capitalising the outstanding director's loan at par, and by the issue of 31200 new ordinary shares which has raised £198900. The remainder of the acquisition has been financed by a 5 year loan of £250000 and a short term banking facility of £150000, which should be eliminated once further shares are issued. The company has also acquired minority shareholdings in two new Chinese companies in lieu of front end fees. The investments are:-
Alltek Shanxi China I (25%)
Beijing New Coating Ltd. (30%)

12 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board of directors on 20th July 1998