

Registered number: 00486170

**DOW SILICONES UK LIMITED
(FORMERLY KNOWN AS DOW CORNING LIMITED)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**



DOW SILICONES UK LIMITED

CONTENTS

	Page(s)
Company Information	1
Strategic Report	2
Directors' Report	3 - 6
Independent Auditor's Report to the Member of Dow Silicones UK Limited	7 - 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 34

DOW SILICONES UK LIMITED

COMPANY INFORMATION

Directors

S F Dopp
G E A van Poorten (appointed 30 April 2018)
E Gadea (appointed 2 October 2017)
A M Jones (appointed 1 January 2017)
D Brookes

Company Secretary

C A Jenkins

Registered Number

00486170

Registered Office

Barry Plant
Cardiff Road
Barry
Glamorgan
CF63 2YL

Independent Auditor

Deloitte LLP
Statutory Auditor
5 Callaghan Square
Cardiff
CF10 5BT

Bankers

Deutsche Bank AG
1 Great Winchester Street
London
EC2N 2DB

Citibank
111 Wall St
New York
NY 10005

DOW SILICONES UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the Strategic Report of Dow Silicones UK Limited (the "company") for the year ended 31 December 2017.

BUSINESS REVIEW

Our business strategy in 2017 was a continuation of the main directives defined in 2016, keeping a good balance between sales volume and profit generation. Integration work after the acquisition by DowDuPont continued during the year, adapting organisation and becoming an integral part of the DowDuPont Corporation in Europe and globally. Uncertainty around the UK's position in the global market and in Europe did not decrease in 2017, not really helping to facilitate clear business directions mid-term. Our main product lines remain stable, while we have started to look for options for silicones in new end use applications linked to other DowDuPont businesses. Operationally, our focus is constant in having a best in class safety and process safety performance while we continue to improve our reliability and efficiency.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks fall into three categories. The first is a global oversupply in the silicones industry, especially in Europe. The second is the uncertainty around Brexit and the UK's long-term position and competitiveness in a global market. The third relates to regulatory challenges and energy costs within Europe, and their impact on the competitiveness of EU-based businesses.

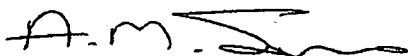
Whilst these uncertainties will continue through 2018 and beyond, the company's strategy for long-term success is clear and robust and its foundation remains financially strong. We continue to take the necessary action to strengthen our position and to invest in developing innovative products for the company's customers.

KEY PERFORMANCE INDICATORS

The DowDuPont group manages its operations on the basis of global business units across legal entities globally. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Operating KPIs focus on environmental issues and safety as the company considers its responsibility in that respect to be of the utmost importance. An annual Health, Safety and Environmental report is issued to the community and local businesses to provide information on annual performance, activities, and plans for the coming year. A copy can be obtained at DowDuPont Inc headquarters (see note 30 for the address).

This report was approved by the board and signed on its behalf by:



A M Jones
Director

Adamson House
Towers Business Park
Didsbury
Manchester
M20 2YY

Date: 23 NOVEMBER 2018

DOW SILICONES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and the audited financial statements of Dow Silicones UK Limited (the "company") for the year ended 31 December 2017.

On 18 January 2018 the company changed its name from Dow Corning Limited to Dow Silicones UK Limited.

PRINCIPAL ACTIVITY

The company's principal activity during the year continued to be the manufacture and marketing of silicone products.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £12,072,000 (2016: profit of £3,485,000).

The results for the year are set out in the accompanying statement of comprehensive income which shows a profit before tax of £13,574,000 (2016: £8,423,000). Earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to £34,033,000 (2016: £40,843,000).

The company now provides approximately 28% (2016: 33%) of Dow Corning Corporation's global capacity for the manufacture of Di-methyl.

The directors do not recommend the payment of a dividend (2016: £nil).

GOING CONCERN

The directors have satisfied themselves that, after reviewing the company's current financial position, the company will have adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

S F Dopp
K Mirena Diaz De Mendivil Hernando (resigned 2 October 2017)
G E A van Poorten (appointed 30 April 2018)
E Gadea (appointed 2 October 2017)
A M Jones (appointed 1 January 2017)
D Brookes
J W Good (appointed 1 January 2017, resigned 30 April 2018)

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company's ultimate parent company has made qualifying third party indemnity provisions for the benefit of the company's directors which were made during the year and remain in force at the date of this report.

DOW SILICONES UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL RISK MANAGEMENT

The main financial risks arising from the company's activities are credit risk, foreign currency risk, liquidity risk and interest rate cash flow risk.

Credit risk

The credit risk to the company is made up of cash, trade debtors, amounts owed by group companies and other debtors. A large proportion of the company's sales are to other companies within the group. The company has implemented appropriate credit control policies that require credit evaluations on potential third party customers before sales are made.

Foreign currency risk

The company conducts business in many foreign countries and as a result is exposed to movements in foreign currency exchange rates. The company's exposure to exchange rate effects is from exchange rate movements on financial instruments and transactions denominated in foreign currencies that impact earnings. The company's most significant foreign currency exposures relate to the US Dollar and the Euro. The exchange rate risks are managed on a group basis by the group's treasury function and; as a result, the company selectively enters into foreign exchange forward contracts and options with other group companies to hedge its exposure to these risks. There are no forward contracts in place at 31 December 2017.

Liquidity risk

Dow Silicones UK Limited makes use of the group treasury function which is based in Switzerland. The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient funds for operations and planned expansions.

Interest rate cash flow risk

The company is generally funded by intra-group borrowings. The principal terms of these borrowings are disclosed in note 19.

ENVIRONMENTAL MATTERS

The company seeks to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

FUTURE DEVELOPMENTS

The company intends to continue the management policies of innovation and development.

Following the integration of Dow Silicones UK Limited into a new SAP platform and the adoption of related work processes of the bigger DowDuPont group, local sales are being handled by a related company from 2018 with the expectation that the sales mix will change for the forthcoming financial year between trade sales and inter company sales.

POLICY FOR PAYMENT TO CREDITORS

It is the company's policy to agree the terms of each transaction with each of its major suppliers, ensuring suppliers are aware of the terms of payment, and then abide by the terms of payment.

RESEARCH AND DEVELOPMENT

During 2017 the company has continued to support a research and development activity at its Barry site. The focus is on improving process efficiency, reducing waste and minimising the carbon footprint. The company spent £0.9 million on research and development during the year (2016: £1.2 million).

DOW SILICONES UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

INVOLVEMENT OF EMPLOYEES IN COMPANY AFFAIRS

The company operates many formal and informal programmes to encourage the involvement of employees in its affairs. Regular management communication meetings are organised where senior representatives of management discuss the company's performance and plans with employees.

The company encourages each individual employee to participate in the parent company's share purchase plan and in addition employees receive an annual bonus if certain performance targets are met.

EMPLOYMENT OF DISABLED PERSONS

The company operates a policy of employee selection and promotion which is impartial and based on capability for job accomplishment and career development. This includes being able to comply with health, safety and environmental legislation and site rules and regulations.

No employee, potential employee or past employee shall receive less favourable treatment or consideration on the grounds of gender, sexual orientation, age, race, ethnic origin, colour, religion or beliefs, disability, nationality or marital status. Registered disabled employees or potential employees will not be discriminated against, other than on operational grounds of health, safety or excessive costs in relation to being competitive in our industry.

The company will ensure that adequate facilities are provided to meet the needs of all employees. When new facilities are being designed, such factors as access for the disabled or the provision of facilities for employees of specific religions/beliefs will be considered and accommodated where possible, subject to costs not being excessive.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (applicable law and United Kingdom Accounting Standards), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

DOW SILICONES UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

INDEPENDENT AUDITOR

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by:



A M Jones
Director

Adamson House
Towers Business Park
Didsbury
Manchester
M20 2YY

Date: 23 NOVEMBER 2018

DOW SILICONES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Dow Silicones UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31/12/2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

DOW SILICONES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.



Andrew Woodhead (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
5 Callaghan Square
Cardiff, United Kingdom
Date: 23 November 2018

DOW SILICONES UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	518,282	505,788
Cost of sales		(484,274)	(461,564)
Gross profit		34,008	44,224
Distribution costs		(13,873)	(13,191)
Administrative expenses		(5,871)	(16,979)
Operating profit		14,264	14,054
Interest receivable and similar income	9	-	12
Interest payable and similar expenses	10	(424)	(5,365)
Other finance income		(266)	(278)
Profit before tax	5	13,574	8,423
Tax on profit	12	(1,502)	(4,938)
Profit for the financial year		12,072	3,485
Actuarial gains/(losses) on defined benefit pension scheme	25	47,837	(7,317)
Movement of deferred tax relating to pension (deficit)/surplus	20	(8,132)	1,142
Other comprehensive income/(expense) for the financial year		39,705	(6,175)
Total comprehensive income/(expense) for the financial year		51,777	(2,690)
Total comprehensive income/(expense) attributable to the equity shareholders of the company		51,777	(2,690)

The profit and loss accounts relates wholly to continuing operations.

The notes on pages 13 to 34 form part of these financial statements.

DOW SILICONES UK LIMITED
REGISTERED NUMBER: 00486170

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Non-current assets			
Tangible assets	13	161,149	171,583
Deferred tax asset	20	16,263	25,897
Pension asset	25	40,406	-
		<u>217,818</u>	<u>197,480</u>
Current assets			
Stocks	14	52,231	40,236
Debtors	16	132,798	189,344
Cash at bank and in hand	15	2,291	1,809
		<u>187,320</u>	<u>231,389</u>
Creditors: amounts falling due within one year	17	(140,081)	(197,970)
Net current assets		<u>47,239</u>	<u>33,419</u>
Total assets less current liabilities		<u>265,057</u>	<u>230,899</u>
Creditors: amounts falling due after more than one year	18	(2,322)	(4,191)
Provisions for liabilities			
Other provisions	21	(2,101)	(5,385)
Pension liability	25	-	(12,466)
Net assets		<u>260,634</u>	<u>208,857</u>
Capital and reserves			
Called up share capital	22	250,000	250,000
Share premium account	23	3,063	3,063
Revaluation reserve	23	275	275
Profit and loss account	23	7,296	(44,481)
Total shareholder's funds		<u>260,634</u>	<u>208,857</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



A M Jones
Director

Date: 23 NOVEMBER 2018

The notes on pages 13 to 34 form part of these financial statements.

DOW SILICONES UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2016	250,000	3,063	275	(41,791)	211,547
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	3,485	3,485
Actuarial losses on pension scheme and associated deferred tax movement (notes 20 and 25)	-	-	-	(6,175)	(6,175)
Other comprehensive expense for the financial year	-	-	-	(6,175)	(6,175)
Total comprehensive expense for the financial year	-	-	-	(2,690)	(2,690)
At 31 December 2016 and 1 January 2017	250,000	3,063	275	(44,481)	208,857
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	12,072	12,072
Actuarial gains on pension scheme and associated deferred tax movement (notes 20 and 25)	-	-	-	39,705	39,705
Other comprehensive income for the financial year	-	-	-	39,705	39,705
Total comprehensive income for the financial year	-	-	-	51,777	51,777
At 31 December 2017	250,000	3,063	275	7,296	260,634

The notes on pages 13 to 34 form part of these financial statements.

DOW SILICONES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Dow Silicones UK Limited (the "company") is a private company limited by shares and is incorporated in the United Kingdom under Companies Act 2006 and registered in Wales. The address of its registered office is Barry Plant, Cardiff Road, Barry, Glamorgan CF63 2YL.

The principal activity is that of the manufacturing and marketing of silicone products.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The functional currency of the company is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

The following principal accounting policies have been applied consistently throughout the year:

2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of DowDuPont Inc as at 31 December 2017 and these financial statements may be obtained from DowDuPont Inc, Corporate Trust Centre, 1209 Orange Street, Wilmington, New Castle 19801, Delaware, USA.

2.3 GOING CONCERN

The company uses a revolving loan facility provided by another subsidiary of the Dow Group as shown in note 19. Given the business relationship between the company and other related companies and its continued use of a guaranteed margin contract manufacturing agreement, the directors consider there will be adequate resources to continue operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)

2.4 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Turnover is recognised in accordance with 'inco-terms' that are agreed on a customer-by-customer basis. These 'inco-terms' identify when the risks and rewards of ownership pass to the customer, at which point the company recognises the sale.

2.5 INTEREST INCOME

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.6 FINANCE COSTS

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.7 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- up to 50 years
Short leasehold buildings	- up to 50 years
Plant and equipment	- 18 years
Assets under construction	- Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income within other operating income.

2.8 INTEREST CAPITALISATION

The company has a policy of capitalising interest as a component of the cost of capital assets constructed for its own use. This policy applies to major projects, which exceed £1 million in cost and have a construction period that exceeds one year.

2.9 STOCKS AND WORK IN PROGRESS

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined on a first in, first out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)

2.10 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 DEBTORS

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 CREDITORS

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 FINANCIAL INSTRUMENTS

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)

2.13 FINANCIAL INSTRUMENTS (CONTINUED)

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as Creditors: amounts falling due within one year if payment is due within one year or less. If not, they are presented as Creditors: amounts falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derivative financial instruments are managed throughout the group by a centralised treasury function. The group uses derivative financial instruments to reduce the impact of changes in foreign exchange rates on its earnings, cash flows and fair values of assets and liabilities. The group enters into derivative financial contracts based on analysis of specific and known economic exposures. The group's policy prohibits holding or issuing derivative financial instruments for trading or speculative purposes. The types of instruments typically used are forward contracts, but may also include option combinations and purchased option contracts.

At 31 December 2017 the company has no derivative contracts (2016: none).

2.15 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)

2.16 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

2.17 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

DOW SILICONES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.18 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.19 RESEARCH AND DEVELOPMENT

Research and development costs are written off in the year in which they are incurred. Research and development expenditure comprises wages and salaries, materials and attributable overheads.

2.20 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.21 LEASED ASSETS

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.22 PENSIONS

Defined benefit pension plan

The company operated a defined benefit pension scheme, which closed to new entrants in December 2005 and closed for future service accrual in December 2013, with assets held in a separately administered fund. The assets of the scheme are valued using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are included in other comprehensive income.

The company contributes to a fully insured group personal pension plan managed by an outside insurer, for all employees. The pension cost in respect of the personal pension plan comprises contributions payable in respect of the year.

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)

2.23 IMPAIRMENT OF FIXED ASSETS AND GOODWILL

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgements and the key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying the Companies' accounting policies

There are no critical judgements in applying the companies' accounting policies.

Key source of estimate uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Carrying value of the deferred tax asset

The company has recognised a significant deferred tax asset. The company considers the carrying value of the deferred tax asset by estimating its future taxable profits over a three-year period and recognising a deferred tax asset that will be utilised against these taxable profits over that period. The estimation of the future taxable profits requires a combination of assumptions including revenues and costs, together with the tax rate used. See note 20 for the disclosures relating to the deferred tax asset.

Defined benefit pension scheme

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note for the disclosures relating to the defined benefit pension scheme.

DOW SILICONES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
Sale of goods	518,135	505,740
Rendering of services	147	48
	<u>518,282</u>	<u>505,788</u>

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	96,581	42,973
Rest of the World	421,701	462,815
	<u>518,282</u>	<u>505,788</u>

Further geographical analysis is not given here, as the directors believe it would be seriously prejudicial to the business.

5. PROFIT BEFORE TAX

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Research and development charged as an expense	900	1,177
Depreciation of tangible assets	19,770	26,789
Impairment of tangible assets	-	4,639
Loss/(Gain) on foreign exchange	(1,245)	(3,157)
Operating lease rentals	2,918	2,628
Loss on disposal of fixed assets	114	8
Impairment of stock recognised as an expense	1,425	2,300
	<u>1,425</u>	<u>2,300</u>

DOW SILICONES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. AUDITOR'S REMUNERATION

	2017 £000	2016 £000
Fees payable to the company's auditor for the audit of the company's annual financial statements	72	63
Other non audit services	-	-

In addition to the audit fees shown above, an amount of £nil (2016: £nil) has been charged by the auditor in respect of work performed at the request of the auditor of the parent company. This amount has not been reflected within the company's statement of comprehensive income as it is borne by the parent.

7. EMPLOYEES

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	31,344	47,674
Social security costs	6,579	3,711
Other pension costs	838	3,594
	38,761	54,979

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

	2017 Number	2016 Number
Management and administration	39	26
Production and research	509	539
Sales	11	11
	559	576

DOW SILICONES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. DIRECTORS' REMUNERATION

	2017 £000	2016 £000
Aggregate directors' remuneration	<u>286</u>	<u>765</u>

The highest paid director received remuneration of £187,000 (2016: £307,000).

Retirement benefits have accrued for no directors (2016: none) in respect of defined benefit pension schemes. There are no directors participating in the company's personal pension plan (2016: none). 3 (2016: 3) directors participate in the company's Group Self Invested Personal Pension Plan effective 1 January 2015.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £000	2016 £000
Interest receivable from group companies	<u>-</u>	<u>12</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £000	2016 £000
Bank interest payable	1	2
Other loan interest payable	<u>423</u>	<u>5,363</u>
	<u>424</u>	<u>5,365</u>

The interest on loans from group undertakings relates to the inter-company revolving loan with Dow International Finance SARL, Luxembourg dated 1 July 2016.

11. OTHER FINANCE EXPENSES

	2017 £000	2016 £000
Net interest on net defined benefit liability (note 25)	<u>266</u>	<u>278</u>

DOW SILICONES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. TAX ON PROFIT

	2017 £000	2016 £000
Deferred tax		
Origination and reversal of timing differences	1,502	4,640
Changes to tax rates	-	298
Total deferred tax	1,502	4,938
Total tax	1,502	4,938

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation	13,574	8,423
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	2,613	1,685
Effects of:		
Expenses not deductible for tax purposes	446	469
Deferred tax impact on movement in temporary differences (19.25% v 17.00%)	(358)	-
Other deferred tax movements	-	2,784
Deferred tax impact on ATR	(1,199)	-
Total tax charge for the year	1,502	4,938

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

DOW SILICONES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Short leasehold land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost					
At 1 January 2017	96,543	189	608,212	15,772	720,716
Additions	23	-	2,770	6,581	9,374
Adjustments for PO accrual	-	-	-	76	76
Disposals	(6)	-	(640)	-	(646)
Transfers between classes	340	-	14,471	(14,811)	-
At 31 December 2017	<u>96,900</u>	<u>189</u>	<u>624,813</u>	<u>7,618</u>	<u>729,520</u>
Accumulated depreciation					
At 1 January 2017	55,182	175	493,776	-	549,133
Charge for the year	2,517	5	17,248	-	19,770
Disposals	(5)	-	(527)	-	(532)
At 31 December 2017	<u>57,694</u>	<u>180</u>	<u>510,497</u>	<u>-</u>	<u>568,371</u>
Net book value					
At 31 December 2017	<u>39,206</u>	<u>9</u>	<u>114,316</u>	<u>7,618</u>	<u>161,149</u>
At 31 December 2016	<u>41,361</u>	<u>14</u>	<u>114,436</u>	<u>15,772</u>	<u>171,583</u>

Included within plant and equipment above is capitalised interest with a net book value of £nil (2016: £nil) and commissioning costs with a net book value of £nil (2016: £nil). No interest (2016: £nil) was capitalised during the year.

Included within freehold land and buildings are amounts for external valuations performed on certain freehold land as at 30 June 1966.

The historic cost of the freehold land is £553,000 (2016: £553,000). The amounts of the valuation are as follows:

	2017 £000	2016 £000
Freehold land	<u>828</u>	<u>828</u>

DOW SILICONES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. STOCKS

	2017 £000	2016 £000
Raw materials and consumables	44,529	34,169
Finished goods and goods for resale	7,702	6,067
	<u>52,231</u>	<u>40,236</u>

Stock recognised in cost of sales during the year as an expense was £299,779,000 (2016: £241,000,000).

An impairment loss of £1,425,000 (2016: £2,300,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The replacement cost of stock is not materially different from that stated above.

15. CASH AT BANK AND IN HAND

	2017 £000	2016 £000
Cash at bank and in hand	<u>2,291</u>	<u>1,809</u>

16. DEBTORS

	2017 £000	2016 £000
Due within one year		
Trade debtors	6,803	11,216
Amounts owed by group undertakings	125,124	176,952
Other debtors	871	1,176
	<u>132,798</u>	<u>189,344</u>

Amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

DOW SILICONES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. CREDITORS: amounts falling due within one year

	2017 £000	2016 £000
Loans from group undertakings	46,578	110,500
Trade creditors	35,092	26,464
Amounts owed to group undertakings	38,755	35,978
Other taxation and social security	6,463	5,151
Accruals and deferred income	13,193	19,877
	<u>140,081</u>	<u>197,970</u>

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

Loans from group undertakings are revolving unsecured loans with the interest rate based on the one month LIBOR rate and a credit spread that is representative of transactions with unrelated parties under similar terms and conditions.

The terms of the loans from group undertakings are detailed in note 19.

18. CREDITORS: amounts falling due after more than one year

	2017 £000	2016 £000
Accruals and deferred income	<u>2,322</u>	<u>4,191</u>

19. LOANS FROM GROUP UNDERTAKINGS

	2017 £000	2016 £000
Due within one year:		
(a) Inter-company revolving credit agreement with Dow International Finance SARL, Luxembourg dated 1 July 2016; zero-cash balancing.	<u>46,578</u>	<u>110,500</u>

The net amount of exchange gains and losses on foreign currency borrowings that has been recognised in the statement of comprehensive income in the year is a gain of £nil (2016: £nil).

Loans from group undertakings are revolving unsecured loans with the interest rate based on the one month LIBOR rate and a credit spread that is representative of transactions with unrelated parties under similar terms and conditions.

DOW SILICONES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. DEFERRED TAXATION

	£000
At 1 January 2017	25,897
Charged to the profit or loss account	(1,502)
Changes to other comprehensive income	(8,132)
At 31 December 2017	<u>16,263</u>

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	(5,827)	(5,238)
Tax losses carried forward	27,699	27,843
Other short-term timing differences	1,260	1,173
Pension (deficit)/surplus	(6,869)	2,119
	<u>16,263</u>	<u>25,897</u>

The deferred tax asset of £27,715,848 (2016: £23,800,000) is recoverable against future forecast taxable profits within a time horizon that the directors consider to be more likely than not to occur.

21. PROVISIONS

	Provision for restructuring £000
At 1 January 2017	5,385
Charged to profit or loss	(13)
Utilised in year	(3,271)
At 31 December 2017	<u>2,101</u>

The provision relates to the estimated cost of restructuring the business and is due to be utilised over the next 12 months.

DOW SILICONES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

22. CALLED UP SHARE CAPITAL

	2017 £000	2016 £000
SHARES CLASSIFIED AS EQUITY		
Allotted, issued, called up and fully paid		
250,000,000 (2016: 250,000,000) Ordinary shares of £1 (2016: £1) each	<u>250,000</u>	<u>250,000</u>

The company has one class of ordinary shares which carry no right to fixed income.

23. RESERVES

Share premium account

Share premium represents the amount subscribed for share capital in excess of the nominal value.

Revaluation reserve

The revaluation reserve represents any increases in the carrying amounts of tangible assets on revaluation.

Profit and loss account

Retained earnings represents all net gains and losses and transactions with owners that are not recognised elsewhere.

24. CAPITAL COMMITMENTS

At 31 December the company had capital commitments as follows:

	2017 £000	2016 £000
Contracted for but not provided in these financial statements	<u>2,903</u>	<u>1,446</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25. PENSION AND SIMILAR OBLIGATIONS

Group Self Invested Personal Pension Plan

All employees are now members of the Group Self Invested Personal Pension Plan; the plan is administered separately with no amounts outstanding at the end of 2017.

Defined Benefit Pension Scheme

The company operates a Defined Benefit Pension Scheme.

Previously some employees were members of a personal pension plan, the assets of which were held separately from those of the company in an independently administered fund. Other employees were members of the company defined benefit pension scheme with assets held in a separately administered fund. Effective 31 December 2013 the scheme was closed to the future accrual of benefits. Active members at the date of closure became Employee Deferred Members with the link to future salary escalation replaced with deferred revaluations, but with enhanced benefits compared to ordinary Deferred Pensioners while they remain in continuous employment with the company.

A comprehensive actuarial valuation of the company pension scheme was carried out at 31 December 2016 by AON, independent consulting actuaries.

Composition of plan assets:

	2017 £000	2016 £000
Equities	191,484	202,019
Bonds	113,194	148,013
Others	200,314	117,966
Total plan assets	504,992	467,998
	2017 £000	2016 £000
Fair value of plan assets	504,992	467,998
Present value of plan liabilities	(464,586)	(480,464)
Net pension scheme asset/(liability)	40,406	(12,466)

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Net interest on defined benefit liability	(266)	(278)
Actual return on scheme assets	47,173	88,941

DOW SILICONES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Reconciliation of fair value of plan liabilities was as follows:

	2017 £000
Opening defined benefit obligation	480,464
Interest expense	12,812
Actuarial gains on liabilities	(13,210)
Net benefits paid out	(15,480)
Closing defined benefit obligation	464,586

Reconciliation of fair value of plan assets was as follows:

	2017 £000
Opening fair value of scheme assets	467,998
Actuarial gains	34,627
Interest income	12,546
Contributions by employer	5,301
Net benefits paid out	(15,480)
Closing fair value of plan assets	504,992

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2017 %	2016 %
Discount rate at 31 December	2.53	2.71
Future pension increases	3.1	3.35
CPI - Increases to deferred benefits during deferment	2.4	2.45
RPI - Increases to deferred benefits during deferment	3.4	3.45

Mortality table

2016	-	S2PXA improvements in line with the CMI 2013 90%/110% projections and a long-term rate improvement of 1.25% pa.
2017	-	S2PXA improvements in line with the CMI 2016 projections and a long-term rate of improvement of 1.25% pa.

DOW SILICONES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

	2017 £000	2016 £000
Amount recognised in other comprehensive income (OCI)		
Asset gains arising during the year	34,627	74,819
Liability gains/(losses) arising during the year	13,210	(82,136)
	<u>47,837</u>	<u>(7,317)</u>
		Approximate effect on balance sheet at 31 December 2017 £000
Current figures		40,406
Following a 0.25% decrease in the discount rate:	Change	(22,409)
	New value	17,997
Following a 0.25% increase in the discount rate:	Change	20,848
	New value	61,245
		<u>118,087</u>

26. COMMITMENTS UNDER OPERATING LEASES

At 31 December the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than one year	38	34
Later than one year and not later than five years	8	21
	<u>46</u>	<u>55</u>

DOW SILICONES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

27. LONG-TERM SUPPLY CONTRACTS

The company has entered into long-term contracts with various suppliers for the supply of steam and other services. The expiry dates of the contracts along with the minimum payments due as of 31 December 2017 are shown as follows:

Contract expiry date	Other services £000 2024
Minimum payments due as follows:	
2018	5,390
2019	5,409
2020	5,428
2021	5,425
2022 and thereafter	10,599

28. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At 31 December 2017, the company has bank guarantees totalling £11,396,185 (2016: £6,096,185) held with its bankers. These guarantees have arisen in the normal course of business and relate to guarantees provided to HMRC for £10,300,000 (2016: £5,000,000), National Resource Wales for £800,000 (2016: £800,000), and Dutch tax authority £296,185 (2016: £296,185).

29. RELATED PARTY TRANSACTIONS

The company has taken exemption under Section 33 of Related Party Disclosures paragraph 33.7 hence no disclosure has been made.

30. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is DC Global Holdings S.a.r.l., a company incorporated in the United States of America.

The ultimate parent undertaking and controlling party is DowDuPont Inc, a company incorporated in United States of America.

DowDuPont Inc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of DowDuPont Inc are available from its registered office:

DowDuPont Inc
Corporate Trust Centre
1209 Orange Street
Wilmington
New Castle 19801
Delaware
USA