

DOWELANCO LIMITED

(REGISTERED NUMBER 2381612)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995



**DOWELANCO LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995**

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DOWELANCO LIMITED DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is principally involved in the agro-chemical industry, including the research and development, manufacture, marketing and distribution of agro-chemical products.

The company has traded satisfactorily during the year and expects to do so in the future.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £15,075,826 (1994: £11,063,329). The directors recommended and paid a dividend of £15,789,474 (1994: £215,053), and accordingly £713,648 has been transferred from reserves (1994: £10,848,276 transferred to reserves).

DIRECTORS

The following directors held office throughout the year:

R N C Gale (resigned 30.4.1996)
W Rish
R Collison (resigned 1.5.1996)
E N Germon (appointed 30.4.1996)
J Seguin (appointed 1.5.1996)

DIRECTORS' INTERESTS

None of the directors has any interests in shares of the company or of other United Kingdom group companies.

CHARITABLE CONTRIBUTIONS

During the year the company made contributions to United Kingdom charitable organisations amounting to £16,826 (1994: £15,059).

DOWELANCO LIMITED
DIRECTORS' REPORT (continued)

EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

EMPLOYEE INVOLVEMENT

The company adopts a constructive approach to its relations with its employees and informs them regularly about the business in which they are involved.

AUDITORS

On 1 February 1996 our auditors changed their name to Deloitte & Touche. Accordingly they have signed their report under their new name.

In accordance with Section 384 of the Companies Act 1985, a resolution to reappoint Deloitte & Touche as auditors will be proposed at the next Annual General Meeting.

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON BEHALF OF THE BOARD



Director

01. 11 , 1996

DOWELANCO LIMITED
STATEMENT OF 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed;
4. 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 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' REPORT
TO THE MEMBERS OF DOWELANCO LIMITED**

We have audited the financial statements on pages 7 to 21 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

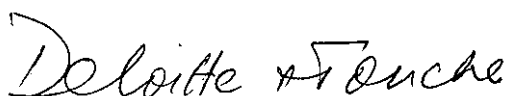
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1995 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

Hill House
1 Little New Street
London, EC4A 3TR

4 November, 1996

DOWELANCO LIMITED ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention.

TURNOVER

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods which have been despatched to customers during the year.

TANGIBLE FIXED ASSETS

Land, buildings, machinery and equipment are stated in the balance sheet at cost, less accumulated depreciation.

DEPRECIATION

Depreciation is provided on a straight line basis. For plants where technical obsolescence is an issue, the charge is accelerated on a double declining basis in the initial years until in any one year a straight line method would result in a greater charge. The expected lives of major classes of assets are as follows:

Freehold land	Nil
Freehold buildings	20-50 years
Plant and machinery	5-20 years
Fixtures, fittings, tools and equipment	3-10 years

STOCKS

Stocks are stated in the balance sheet at the lower of cost and net realisable value. Cost is stated at the standard which the directors consider provides the fairest practicable approximation to actual cost. Engineering stores, raw materials and work in progress are valued at the cost incurred in bringing the stocks to their present location and condition. Finished goods are valued at raw material cost plus appropriate labour and overhead expenditure.

DOWELANCO LIMITED
ACCOUNTING POLICIES (continued)

PENSION PLAN CONTRIBUTIONS

Retirement benefits to employees of the company are provided by a defined contribution scheme which is funded by contributions from the company and employees. The pension cost charged to the accounts for the period represents the defined contributions payable by the company to the fund.

DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

LEASES

Operating leases are charged to the profit and loss account on the basis of rentals charged.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are recharged to the company's immediate parent in the USA and to fellow European subsidiaries.

DOWELANCO LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>Notes</u>	Continuing Operations <u>1995</u> £	Continuing Operations <u>1994</u> £
TURNOVER	2	191,679,753	164,993,738
Cost of sales		(143,023,069)	(127,236,634)
GROSS PROFIT		48,656,684	37,757,104
Distribution costs		(6,205,199)	(5,142,442)
Administrative expenses		(20,559,201)	(19,537,734)
		21,892,284	13,076,928
Other operating income - exceptional		-	3,217,192
- other		2,761,477	1,529,993
		2,761,477	4,747,185
Operating profit		24,653,761	17,824,113
Interest receivable and similar income		1,437,567	1,419,845
Interest payable and similar charges	3	(3,005,283)	(2,603,238)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	23,086,045	16,640,720
Tax on profit on ordinary activities	6	(8,010,219)	(5,577,391)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		15,075,826	11,063,329
DIVIDENDS	7	(15,789,474)	(215,053)
TRANSFER (FROM) TO RESERVES	14	£ (713,648)	£ 10,848,276

There are no recognised gains or losses, or movements on shareholders' funds, during the year or previous year, other than the profit for the year.

DOWELANCO LIMITED
BALANCE SHEET AT 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
FIXED ASSETS			
Tangible assets	8	13,886,860	15,001,808
CURRENT ASSETS			
Stocks	9	78,871,125	52,773,641
Debtors	10	57,401,508	48,549,531
Cash at bank and in hand		684,985	3,754
		136,957,618	101,326,926
CREDITORS:AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(97,417,760)	(63,601,451)
NET CURRENT ASSETS		39,539,858	37,725,475
TOTAL ASSETS LESS CURRENT LIABILITIES		53,426,718	52,727,283
PROVISIONS FOR LIABILITIES AND CHARGES	12	(4,955,994)	(3,542,911)
NET ASSETS		£48,470,724	£49,184,372
CAPITAL AND RESERVES			
Called up share capital	13	32,220,000	32,220,000
Profit and loss account	14	16,250,724	16,964,372
EQUITY SHAREHOLDERS' FUNDS		£48,470,724	£49,184,372

The financial statements on pages 7 to 21 were approved by the Board of Directors on 01.11, 1996 and are signed on their behalf by:

E. M. Ghera
Director

DOWELANCO LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
		£'000	£'000
Net cash inflow from operating activities	1	25,173	2,076
Returns on investments and servicing of finance:			
Interest received		1,270	1,543
Interest paid		(2,929)	(2,301)
Ordinary dividends paid		(15,789)	(215)
Net cash outflow from returns on investments and servicing of finance		(17,448)	(973)
Taxation:			
UK Corporation Tax paid		(5,264)	(1,258)
Tax paid		(5,264)	(1,258)
Investing Activities:			
Purchase of tangible fixed assets		(928)	(559)
Proceeds of disposal of tangible fixed assets		-	129
Net cash outflow from investing activities		(928)	(430)
Net cash inflow/(outflow) before financing		1,533	(585)
Increase/(decrease) in cash and cash equivalents	2	1,533	(585)

DOWELANCO LIMITED
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1995

1. Reconciliation of operating profit to net cash inflow from operating activities:

	<u>1995</u> £'000	<u>1994</u> £'000
Operating profit	24,654	17,824
Depreciation	2,105	2,981
Loss on disposal of fixed assets	-	170
Provisions charged	1,937	404
Increase in stock	(26,097)	(10,841)
Increase in debtors	(8,685)	(1,106)
Increase/(decrease) in creditors	31,230	(7,320)
Effect of foreign exchange differences on cash and cash equivalents	29	(36)
Net cash inflow from operating activities	<u><u>25,173</u></u>	<u><u>2,076</u></u>

2. Analysis of changes in cash and cash equivalents during the year:

	<u>1995</u> £'000	<u>1994</u> £'000
Balance at 1 January	(819)	(270)
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	1,533	(585)
Effect of foreign exchange rate changes	(29)	36
Balance at 31 December	<u><u>685</u></u>	<u><u>(819)</u></u>

3. Analysis of the balances of cash and cash equivalents as shown in the balance sheet:

	<u>1995</u> £'000	Change in <u>Year</u> £'000	<u>1994</u> £'000	Change in <u>Year</u> £'000	<u>1993</u> £'000
Cash at bank and in hand	685	681	4	4	-
Bank overdraft	-	823	(823)	(553)	(270)
	<u><u>685</u></u>	<u><u>1,504</u></u>	<u><u>(819)</u></u>	<u><u>(549)</u></u>	<u><u>(270)</u></u>

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995

1. SEGMENTAL REPORTING

In the opinion of the directors, the company operates one class of business.

All of the company's turnover, profit before tax and net assets originate from, or are located in, the United Kingdom.

2. TURNOVER

Geographical markets supplied:

	<u>1995</u> £	<u>1994</u> £
UK	23,223,685	30,256,085
Europe	98,342,010	90,677,739
Middle East and Africa	30,490,383	14,362,935
Pacific Basin	20,654,340	17,436,829
North America	12,156,889	2,621,048
Latin America	6,812,446	9,639,102
	<u>£191,679,753</u>	<u>£164,993,738</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1995</u> £	<u>1994</u> £
On bank loans, overdraft and other loans repayable within five years	229,481	189,946
On amounts owed to group companies	2,775,802	2,413,292
	<u>£3,005,283</u>	<u>£2,603,238</u>

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging/(crediting):	<u>1995</u> £	<u>1994</u> £
Depreciation of tangible fixed assets	2,104,838	2,980,986
Hire of plant and machinery	388,592	191,393
Auditors' remuneration	13,320	24,230
Staff costs (note 5)	6,971,733	7,651,320
Royalties	2,010,129	421,961
Other operating leases	847,642	1,252,547
(Gains)/losses on foreign exchange	(667,618)	147,231
	=====	=====

The (gains)/losses on foreign exchange have been included under administrative expenses.

5. DIRECTORS AND EMPLOYEES

The average weekly number of persons (including directors) employed by the company during the year was:

	<u>1995</u> Number	<u>1994</u> Number
Manufacturing	9	11
Research and development	174	181
Marketing	33	36
Administration	15	13
	—	—
	231	241
	=====	=====

Staff costs (for the above persons):	<u>1995</u> £	<u>1994</u> £
Wages and salaries	5,833,023	6,387,781
Social security costs	544,176	640,024
Other pension costs	594,534	623,515
	—	—
	£6,971,733	£7,651,320
	=====	=====

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

5. DIRECTORS AND EMPLOYEES (continued)

The remuneration paid to directors was:-

	<u>1995</u> £	<u>1994</u> £
Emoluments (including pension contributions and benefits in kind)	£153,471 =====	£176,848 =====

Emoluments disclosed above (excluding pension contributions) include amounts paid to:

The Chairman	£ - =====	£ - =====
The highest paid director	£69,318 =====	£93,434 =====

The number of directors who received emoluments (excluding pension contributions) in the following ranges were:

	<u>1995</u> Number	<u>1994</u> Number
£ 0 - £ 5,000	1	1
£ 65,001 - £ 70,000	2	-
£ 70,001 - £ 75,000	-	1
£ 90,001 - £ 95,000	- =====	1 =====

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1995</u>	<u>1994</u>
	£	£
UK Corporation Tax charge at 33% (1994 - 33%)		
Current	7,604,425	4,833,694
Deferred tax	(584,962)	744,944
	<hr/>	<hr/>
	7,019,463	5,578,638
 Adjustment in respect of prior years:-		
Corporation Tax	930,069	(5,301)
Deferred Tax	60,687	4,054
	<hr/>	<hr/>
	£8,010,219	£5,577,391
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

	<u>1995</u>	<u>1994</u>
	£	£
Dividends paid of 49.0052p per share (1994: 0.6675p per share)	£15,789,474	£215,053
	<hr/> <hr/>	<hr/> <hr/>

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

8. TANGIBLE FIXED ASSETS

	<u>Freehold Land and Buildings</u> £	<u>Plant and Machinery</u> £	<u>Fixtures, Fittings, Tools and Equipment</u> £	<u>Total</u> £
COST:				
At 1 January 1995	13,207,722	34,623,497	1,872,160	49,703,379
Additions	108,808	700,894	180,188	989,890
At 31 December 1995	<u>13,316,530</u>	<u>35,324,391</u>	<u>2,052,348</u>	<u>50,693,269</u>
DEPRECIATION:				
At 1 January 1995	5,545,012	27,601,904	1,554,655	34,701,571
Charge for the year	430,644	1,582,268	91,926	2,104,838
At 31 December 1995	<u>5,975,656</u>	<u>29,184,172</u>	<u>1,646,581</u>	<u>36,806,409</u>
NET BOOK VALUE:				
At 31 December 1995	<u>£7,340,874</u>	<u>£6,140,219</u>	<u>£405,767</u>	<u>£13,886,860</u>
At 31 December 1994	<u>£7,662,710</u>	<u>£7,021,593</u>	<u>£317,505</u>	<u>£15,001,808</u>

Included in the cost of land and buildings is £119,613 (1994: £53,760), in the cost of plant and machinery £446,350 (1994: £229,911), and in the cost of fixtures, fittings, tools and equipment £25,352 (1994: £26,413), representing assets which have not yet been brought into use and which have not been depreciated.

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

9. STOCKS

	<u>1995</u> £	<u>1994</u> £
Raw materials and consumables	6,830,761	3,653,584
Work in progress	34,501,057	20,614,342
Finished goods	37,539,307	28,505,715
	<u>£78,871,125</u>	<u>£52,773,641</u>

In the opinion of the directors the replacement cost of stock is not materially different from that stated above.

10. DEBTORS

Amounts falling due within one year:	<u>1995</u> £	<u>1994</u> £
Trade debtors	789,108	948,991
Amounts owed by group companies - fellow subsidiaries	52,020,707	41,701,651
Other debtors	1,342,546	1,349,287
Prepayments and accrued income	182,053	176,332
V.A.T. receivable	3,062,121	4,371,334
	<u>57,396,535</u>	<u>48,547,595</u>
 Amount falling due after one year:		
Other debtors	4,973	1,936
	<u>£57,401,508</u>	<u>£48,549,531</u>

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

11. CREDITORS

	<u>1995</u>	<u>1994</u>
	£	£
Amounts falling due within one year:		
Bank overdrafts and loans	-	822,798
Trade creditors	7,099,100	11,110,258
Fixed asset creditors	208,933	147,412
Amounts owed to group companies - fellow subsidiaries	77,936,472	42,896,138
Corporation tax	8,063,854	4,792,689
Other taxation and social security	826,844	211,196
Other creditors	2,217,749	2,240,370
Accruals and deferred income	1,064,808	1,380,590
	<u>£97,417,760</u>	<u>£63,601,451</u>

The bank overdrafts and loans are unsecured and bear interest at normal commercial rates.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1995</u>	<u>1994</u>
	£	£
Deferred taxation:		
Tax effect of timing differences arising on:		
Capital allowances in excess of depreciation	2,617,464	2,660,719
Gain deferred by rollover relief	1,055,067	1,055,067
Other short term timing differences	(1,057,365)	(576,345)
	<u>2,615,166</u>	<u>3,139,441</u>
Provision for doubtful accounts on factored debts	1,937,358	-
Demolition provision	403,470	403,470
	<u>£4,955,994</u>	<u>£3,542,911</u>

The movements on the provisions are as follows:

	Deferred Taxation £	Factored Debt £
Balance at 1 January, 1995	3,139,441	-
Charged to profit and loss account -Current year	(584,962)	1,937,358
-Prior year	60,687	-
Balance at 31 December, 1995	<u>£2,615,166</u>	<u>£1,937,358</u>

The amount provided for deferred taxation represents the full potential liability.

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

13. CALLED UP SHARE CAPITAL

	<u>1995</u> £	<u>1994</u> £
32,220,000 authorised, allotted and fully paid ordinary shares of £1 each	<u>£32,220,000</u>	<u>£32,220,000</u>

14. PROFIT AND LOSS ACCOUNT

	<u>1995</u> £	<u>1994</u> £
At 1 January	16,964,372	6,116,096
Net (deficit) surplus of profit for the year less dividends paid	(713,648)	10,848,276
At 31 December	<u>£16,250,724</u>	<u>£16,964,372</u>

15. OPERATING LEASES

At 31 December 1995 the company was committed to making the following payments during the next year in respect of operating leases:

Leases which expire:

	<u>Land and buildings</u> £	<u>Other</u> £
Within one year	65,975	609,789
Within two to five years	-	486,656
After five years	91,000	-
	<u>£156,975</u>	<u>£1,096,445</u>

DOWELANCO LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

16. PENSION SCHEME

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable by the company on behalf of its employees into the scheme were £594,534 (1994: £560,360). Outstanding contributions at year end were £nil (1994:£60,170). Contributions by the company on behalf of its employees into other schemes were £nil (1994: £63,155). Outstanding contributions into other schemes at year end were £nil (1994: £nil).

17. CAPITAL COMMITMENTS

	<u>1995</u> £	<u>1994</u> £
Contracted for but not provided in the financial statements	£427,227 =====	£36,597 =====
Authorised by the directors but not contracted for	£1,480,804 =====	£688,185 =====

18. CONTINGENT LIABILITIES

The company factors overseas trade receivables with an affiliated company on a full recourse basis. The amount outstanding at December 31, 1995 was £ 2,033,319. A provision of £1,937,358 is included in the accounts for bad debts which may occur.

19. ULTIMATE PARENT COMPANY

In the opinion of the directors the ultimate parent company is The Dow Chemical Company which is incorporated in the United States of America. This company is the parent undertaking of the only group which includes the company, and for which group accounts are prepared.

Copies of the group financial statements of The Dow Chemical Company can be obtained from:

Dow Chemical USA,
Customer Information Centre,
P.O. Box 1206,
Midland 48641-1206,
Michigan, USA.