ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO, SC

United Phosphorus Limited

Accounts 31 January 1995
together with directors' and auditors' reports

Registered number: 2844616

Directors' report

For the period from 13 August 1993 to 31 January 1995

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the period from 13 August 1993 to 31 January 1995.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Principal activities and business review

The company was incorporated on 13 August 1993 with the name of Inhoco 254 Limited. The name of the company was changed on 26 August 1993 to United Phosphorus Europe Limited and on 21 September 1994 to United Phosphorus Limited.

The principal activities of the company are the manufacture and marketing of pesticides, herbicides and fungicides.

The company entered into a sale and purchase agreement dated 25 July 1994 to acquire the agrochemicals and other chemicals products business of MTM Agrochemicals Limited and the assets used in connection therewith. The acquisition was completed on 10 August 1994, when the company commenced trading.

Turnover in the period was £10,504,000, and loss after tax was £846,000. The directors consider that the results of the company in this initial trading period are satisfactory, and expect the general level of activity to improve in the forthcoming year.

Details of important events affecting the company which have taken place since the end of the financial year are given in note 22 to the accounts.

Directors' report (continued)

Results and dividends

Results, dividends (paid and proposed) and recommended transfers to reserves are as follows:

	£'000
Loss for the period after taxation	(846)
3% preference dividends accrued	(149)
Goodwill written off to reserves	(823)
Accumulated deficit at 31 January 1995	(1,818)

No dividend can be paid.

Directors and their interests

The directors who served during the period are as shown below.

Dennis House Nominees Limited	(appointed 13 August 1993, resigned 20 September 1993)
R.D. Shroff	(appointed 20 September 1993)
J. Shroff	(appointed 20 September 1993)
S. R. Shroff	(appointed 20 September 1993)
K. Parkin	(appointed 29 August 1994)
G. Streeter MP	(appointed 29 August 1994)
Dr A. P. Shintre	(appointed 4 August 1994)
J.S. Hewitt	(appointed 19 March 1994)
J. McIlwraith	(appointed 6 October 1994, resigned 31 January 1995)

The directors do not have any interests in the shares required to be disclosed under Schedule 7 of the Companies Act 1985.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes 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 that 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 with that of other employees.

Directors' report (continued)

Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Fixed assets

Information relating to changes in tangible fixed assets is included in note 9 to the accounts.

Auditors

Arthur Andersen were appointed as auditors during the period. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

18 Liverpool Road
Great Sankey
Warrington
WA5 1QR

By order of the Board,

S Wright

S. Wright
Secretary

7 June 1995

Auditors' report

Manchester

To the Shareholders of United Phosphorus Limited

We have audited the accounts on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 January 1995 and of the loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

7 June 1995

Profit and loss account

For the period from 13 August 1993 to 31 January 1995

	Notes	£'000
Turnover	2	10,504
Cost of sales		(6,722)
Gross profit		3,782
Other operating expenses (net)		(3,333)
Exceptional expenses	3	(1,052)
Operating loss		(603)
Interest payable and similar charges	4	(243)
Loss on ordinary activities before taxation	5	(846)
Tax on loss on ordinary activities	7	-
Loss for the financial period		(846)
Dividends paid and proposed	8	(149)
Retained loss for the period		(995)

There are no recognised gains or losses other than the loss for the financial period.

A statement of movements on reserves is given in note 16.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 January 1995

	Notes	£'000
Fixed assets		
Tangible assets	9	6,085
Current assets		
Stocks	10	3,159
Debtors	11	5,752
Cash at bank and in hand		281
		9,192
Creditors: Amounts falling due within one year	12	(9,595)
Net current liabilities		(403)
Total assets less current liabilities		5,682
Creditors: Amounts falling due after more than one year	13	(2,500)
Net assets		3,182
Capital and reserves		
Called-up share capital	15	5,000
Profit and loss account	16	(1,818)
Total capital employed		3,182

Signed on behalf of the Board

A. Kevin Park.

K. Parkin Director

7 June 1995

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

For the period from 13 August 1993 to 31 January 1995

	Notes	£'000
Net cash outflow from operating activities	18a	(3,426)
Returns on investments and servicing of finance		
Interest paid		(102)
Net cash outflow from returns on investments and servicing of finance		(102)
Investing activities		
Purchase of tangible fixed assets		(7,162)
Net cash outflow from investing activities		(7,162)
Net cash outflow before financing		(10,690)
Financing		
Issue of preference share capital		4,950
Issue of ordinary share capital		50
New loans		5,000
Net cash inflow from financing	18b	10,000
Decrease in cash and cash equivalents	18c	(690)

The accompanying notes are an integral part of this statement.

Notes to accounts

31 January 1995

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and have been prepared in accordance with applicable accounting standards.

b) Tangible fixed assets

Tangible fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	50 years
Leasehold land and buildings	50 years or the term of lease if shorter
Plant and machinery	5-20 years
Fixtures and fittings	5-20 year
Motor vehicles	4 years

Residual value is calculated on prices prevailing at the date of acquisition.

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transport
Work-in-progress and finished goods	-	cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to accounts (continued)

1 Accounting policies (continued)

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the period is written off, except when recoverability against corporation tax payable is considered to be reasonably assured.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in the notes to the accounts.

e) Pension costs

The company provides pensions to its employees through two pension schemes, one of which is a defined benefit scheme and the other a defined contribution scheme.

The assets of the defined benefit scheme are held independently of the company by an insurance company.

The amount charged to the profit and loss account for the defined contribution scheme is the contributions payable in the period and for the defined benefit scheme is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account at a constant percentage of pensionable payroll over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid is shown as a separately identified liability or asset in the balance sheet.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-group transactions) of goods and services in the normal course of business.

h) Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

2 Segment information

Contributions to turnover by geographical destination were as follows:

	£'000
United Kingdom	2,764
Continental Europe	3,056
USA	4,087
Rest of the world	597
	10,504

No further segmental information has been provided as the directors are of the opinion that any further disclosure would be prejudicial to the business.

3 Exceptional expenses

Exceptional expenses relate to the establishment of provisions against the assets acquired from MTM Agrochemicals Limited and costs associated with the raising of finance and the acquisition of the trade and assets.

Notes to accounts (continued)

4 Interest payable and similar charges

	£'000
On bank loans, overdrafts and other loans	
- repayable within five years, by instalments	186
- repayable within five years, not by instalments	57
	243

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	£'000
Depreciation and amounts written off owned tangible fixed assets	254
Hire of plant and machinery under operating leases	48
Auditors' remuneration	
- audit fees	21
- other	120
Staff costs (see note 6)	1,279

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	£'000
Employee costs during the period amounted to:	
Wages and salaries	1,140
Social security costs	108
Other pension costs (see also note 19c)	31
	1,279

The average weekly number of persons employed by the company during the period since trading commenced was as follows:

	Number employed
Production	86
Distribution	6
Administration	36
	128

Notes to accounts (continued)

6 Staff costs (continued)

Directors' remuneration:

Directors' remuneration in respect of directors of the company was as follows:

	£'000
Fees as directors	4
Other emoluments (including pension contributions)	56
Aggregate emoluments	60

The directors' aggregate emoluments shown above (excluding pensions and pension contributions) included:

	£'000
Highest paid director	28

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	Number
Up to £ 5,000	6
£ 25,001 - £ 30,000	2

7 Tax on loss on ordinary activities

	£'000
Deferred taxation arising from:	
- capital allowances	157
- other timing differences	(157)
	-

Tax losses of approximately £1,125,000 are available for carry forward to future periods.

8 Dividends paid and proposed

	£'000
3% preference dividend accrued	149

Notes to accounts (continued)

9 Tangible fixed assets

	£'000
Land and buildings	
- freehold	663
- long leasehold	1,059
Plant and machinery	4,363
Net tangible fixed assets	6,085

Plant and machinery include fixtures and fittings, and motor vehicles.

The movement in the period was as follows:

	Land and buildings			
	Freehold £'000	Long leasehold £'000	Plant and machinery £'000	Total £'000
Cost				
Additions	736	1,113	4,489	6,338
End of period	736	1,113	4,489	6,338
Depreciation				
Charge	9	13	231	253
End of period	9	13	148	253
Net book value				
End of period	727	1,100	4,258	6,085

10 Stocks

	£'000
Raw materials and consumables	1,142
Work-in-progress	232
Finished goods and goods for resale	1,785
	3,159

Notes to accounts (continued)

11 Debtors

	£'000
Amounts falling due within one year:	
Trade debtors	4,336
Amounts owed by other group undertakings	588
VAT	287
Other debtors	108
ACT recoverable	37
Prepayments and accrued income	396
	5,752

12 Creditors: Amounts falling due within one year

	£'000
Bank loans and overdrafts	3,471
Trade creditors	2,809
Other creditors	
- social security and PAYE	77
- accrued dividends	149
- ACT on accrued dividends	37
- other creditors	283
Accruals and deferred income	2,769
	9,595

The company has granted a fixed and floating charge over its assets to secure bank overdrafts of £971,000 and bank loans of £5,000,000.

13 Creditors: Amounts falling due after more than one year

	£'000
Bank loans and overdrafts falling due within five years (secured - see note 12)	2,500

Notes to accounts (continued)

14 Deferred taxation

Deferred tax has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that part of the liability will crystallise.

	£'000
Excess of tax allowances over book depreciation of fixed assets	157
Other timing differences related to current assets and liabilities	(47)
Tax effect of losses carried forward	(110)
	-

The movement on deferred taxation comprises:

	£'000
Charged (credited) to profit and loss, in respect of:	
- capital allowances	157
- other timing differences	(157)
End of period	-

At the end of the period there were unrelieved tax losses in excess of those currently set off against timing differences of approximately £261,000.

15 Called-up share capital

	£'000
Authorised, allotted, called-up and fully paid	
50,000 ordinary shares of £1 each	50
4,950,000 3% redeemable preference shares of £1 each	4,950
	5,000

The 3% redeemable preference shares may at the company's option be redeemed at any time.

The original subscribers to the company were Dennis House Nominees Limited and Pall Mall Nominees Limited, who each subscribed to one ordinary share of £1. These shares were subsequently transferred to Bio-Win Corporation on the 23 September 1993.

15 Called-up share capital (continued)

A further 49,998 ordinary shares of £1 each and 2,950,000 3% preference shares of £1 each were authorised and issued to Bio-Win Corporation on 20 July 1994, and 2,000,000 3% preference shares of £1 each were authorised and issued to Bio-Win Corporation on 23 September 1994. All of these share allotments were to fund the acquisition of the trade and assets of MTM Agrochemicals Limited.

16 Reserves

Of total reserves shown in the company's balance sheet, the following amounts are regarded as distributable or otherwise:

	£'000
Non-distributable	
- profit and loss account	(1,818)

The movement on the profit and loss account during the period was as follows:

	£'000
Loss for the financial period	(846)
Dividends	(149)
Goodwill written off on acquisition	(823)
	(1,818)

17 Reconciliation of movements in shareholders' funds

	£'000
Loss for the financial period	(846)
Dividends paid and proposed	(149)
	(995)
New share capital subscribed	5,000
Goodwill written-off on acquisition	(823)
Closing shareholders' funds	3,182

Notes to accounts (continued)

18 Cash flow information

a) Reconciliation of operating loss to net cash outflow from operating activities

	£'000
Operating loss	(603)
Depreciation charges	254
Increase in stocks	(3,159)
Increase in debtors	(5,715)
Increase in creditors	5,797
Net cash outflow from operating activities	3,426

b) Analysis of changes in financing

	Share capital £'000	Loans £'000	Total £'000
Net cash inflows from financing	5,000	5,000	10,000
Balance at 31 January 1995	5,000	5,000	10,000

c) Analysis of changes in cash and cash equivalents during the period

	Cash at bank and in hand £'000	Bank overdrafts £'000	Net £'000
Net cash inflow (outflow)	281	(971)	(690)
Balance at 31 January 1995	281	(971)	(690)

19 Guarantees and other financial commitments

a) Capital commitments

At the end of the period, capital commitments were:

	£'000
Contracted for but not provided for	-
Authorised but not contracted for	196
	196

Notes to accounts (continued)

19 Guarantees and other financial commitments (continued)

b) Lease commitments

The company has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to five years. The total annual rental (including interest) for 1995 was £48,385. The lease agreements provide that the company will pay all insurance, maintenance and repairs. The company may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

The minimum annual rentals under the foregoing leases are as follows:

	Plant and machinery £'000
Operating leases which expire within 2-5 years	125

c) Pension arrangements

The United Phosphorus Limited Pension & Life Assurance Scheme (formerly the MTM Agrochemicals Limited Pension & Life Assurance Scheme) covers employees of the company who were employees of MTM Agrochemicals Limited prior to 24 February 1989. The scheme was closed to new entrants on 24 February 1989. This scheme is a defined benefit scheme and the most recent actuarial valuation was carried out at 1 July 1993 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pensionable earnings. It was assumed that investment returns would be 9% per annum, and that pensionable earnings would increase by 7% per annum.

The valuation showed that the scheme was fully funded after allowing for projected salary increases. The market value of the schemes assets at 1 July 1993 was £2,521,000. The actuarial value of the scheme's assets at 1 July 1993 was sufficient to cover 134% of the benefits accruing to members after allowing for expected future increases in salaries. The assets are invested in the Legal & General's AF80 deposit administration contract.

The scheme surplus is being amortised over the remaining service lives of employees in the scheme. The next actuarial valuation will be carried out on or before 1 July 1996.

The United Phosphorus Pension Scheme is a defined contribution scheme available to all other employees of the company. Contributions to this scheme are at the rate of 3% of the employee's pensionable salary and amounted to £31,000 during the period.

Notes to accounts (continued)

20 Ultimate parent company

The company is a subsidiary undertaking of United Phosphorus Limited, incorporated in India. There are no group accounts drawn up which include the results of the company.

21 Acquisition

On 10 August 1994 the company acquired the assets used in connection with the agrochemicals and other chemical products business of MTM Agrochemicals Limited.

The consideration paid and assets and liabilities acquired were as follows:

	£'000
Fixed assets	6,026
Stock	2,822
Debtors	3,452
Creditors: Amounts falling due within one year	(3,005)
	9,295
Consideration paid	10,118
Goodwill	823

The goodwill was written off an acquisition to the profit and loss account reserve (see note 16).

22 Subsequent events

An unsecured loan of $2,000,000 was made by Bio-Win Corporation to the company on 8 April 1995. This loan is to be capitalised and converted to preference share capital in the forthcoming financial year.