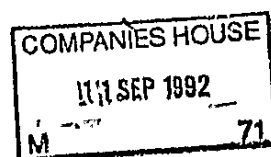


BDH LIMITED

Directors' report and financial statements

31 December 1991

Registered Number 660457



BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1991.

Principal activities and business review

On 1 January 1991 the Company transferred its assets and undertakings to its parent company Merck Holding Limited, which changed its name on that date to Merck Ltd.

Profits and dividends

The Company did not trade in its own right during the year and accordingly has made neither a profit nor a loss.

The directors propose payment of a dividend on the 4% preference shares and no dividend on the ordinary shares.

Fixed assets

The movements in fixed assets are shown in note 9 to the financial statements.

Directors

The directors holding office during the year were as follows:

Mr W Hönn	
Mr RB O'Connell	
Dr DH Durant	
Mr JG McGough	(resigned 31 May 1991)
Dr DR Perry	(resigned 31 May 1991)
Dr A Smith	(resigned 31 January 1991)
Mr RHM Symons	(resigned 31 May 1991)
Mr D Treusch	
Dr JCR Waldsax	(resigned 29 February 1992)

Directors' interests

No directors had any interest in the shares of the Company or of its holding company at the end of the year.

BDH LIMITED

DIRECTORS' REPORT (continued)

Auditors

A resolution concerning the reappointment of KPMG Peat Marwick as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board of Directors on 17 March 1992.

A handwritten signature in dark ink, appearing to read 'D. Lian', is written over the printed title 'Secretary'.

Secretary

REPORT OF THE AUDITORS, KPMG PEAT MARWICK, TO THE MEMBERS OF BDH
LIMITED

We have audited the financial statements on pages 4 to 19 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1991 and of its result and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

Chartered Accountants
Registered Auditor

Poole

17 March 1992

BDH LIMITED

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 1991**

	Note	£'000	1991 £'000	1990 £'000
Turnover	2		-	69,798
Operating profit	2		-	1,803
Interest receivable and similar income			-	82
Interest payable and similar charges	5		-	(3,978)
Less before exceptional items			-	(2,093)
Exceptional Iraqi bad debt provision			-	(1,506)
Loss on ordinary activities before taxation			-	(3,599)
Tax on loss on ordinary activities	6		-	1,553
Loss on ordinary activities after taxation			-	(2,046)
Extraordinary items	7		-	202
Loss for the financial year			-	(1,844)
Retained profit brought forward		4,470		13,286
Proposed dividend	8	(2)		(7,000)
Other movements	16	1,193		28
			5,661	6,314
Profit and loss account carried forward			5,661	4,470

Movements in reserves are set out in note 16.

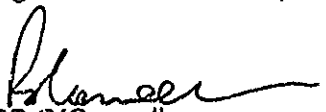
The notes on pages 8 to 19 form part of these financial statements.

BDH LIMITED

BALANCE SHEET AT 31 DECEMBER 1991

	Note	1991 £'000	1990 £'000
Fixed assets			
Tangible assets	9	-	27,461
Investments	10	-	-
		<u>-</u>	<u>27,461</u>
Current assets			
Stocks	11	-	21,725
Debtors	12	6,361	20,171
Cash at bank and in hand		-	652
		<u>6,361</u>	<u>42,548</u>
Creditors: amounts falling due within one year	13	-	(31,796)
Net current assets		<u>6,361</u>	<u>10,752</u>
Total assets less current liabilities		<u>6,361</u>	<u>38,213</u>
Creditors: amounts falling due after more than one year	13	-	(26,706)
Provisions for liabilities and charges	14	-	(1,967)
Total assets less liabilities		<u>6,361</u>	<u>9,540</u>
Capital and reserves			
Called up share capital	15	700	700
Revaluation reserve	16	-	4,370
Profit and loss account	16	5,661	4,470
		<u>6,361</u>	<u>9,540</u>

These financial statements were approved by the Board of Directors on 17 March 1992 and were signed on its behalf by:


RB O'Connell

Director

The notes on pages 8 to 19 form part of these financial statements.

BDH LIMITED

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1991**

	1991		1990	
	£'000	£'000	£'000	£'000
Source of funds				
Loss on ordinary activities before taxation		-		(3,599)
Extraordinary income before taxation		-		300
Items not involving movement of funds:				
Depreciation		-		2,595
Loss on sale of fixed assets		-		2
Pension provision		-		98
		<hr/>		<hr/>
Total absorbed by operations		-		(604)
Funds from other sources				
Increase in loans from group companies	-		2,205	
Proceeds on sale of fixed assets	24,284		127	
Transfer of tax debtor	138		-	
	<hr/>		<hr/>	
		24,422		2,332
Application of funds				
Purchase of fixed assets	-		7,635	
Goodwill purchased	-		63	
Dividends paid	-		8,113	
Taxation paid	-		1	
Decrease in creditors falling due after more than one year	26,706		-	
Rationalisation costs	-		930	
Transfer of provisions	1,967		-	
	<hr/>		<hr/>	
		(28,673)		(16,742)
Decrease in working capital		(4,251)		(15,014)

BDH LIMITED

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1991
(continued)**

	1991		1990	
	£'000	£'000	£'000	£'000
Components of decrease in working capital				
Stocks		(21,725)		598
Debtors		(14,149)		(88)
Creditors		7,510		(406)
Inter company balances		5,694		(122)
		<u> </u>		<u> </u>
		(22,670)		(18)
Movement in net liquid funds				
Decrease/(increase) in bank overdraft	18,693		(15,642)	
(Decrease)/increase in cash at bank and in hand	<u>(274)</u>		<u>646</u>	
		18,419		(14,996)
		<u> </u>		<u> </u>
		(4,251)		(15,014)
		<u> </u>		<u> </u>

The notes on pages 8 to 19 form part of these financial statements.

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Accounting convention

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

b) Translation of overseas currencies into sterling

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange except where specific forward contracts exist in respect of these amounts when the contracted rate is used.

c) Depreciation

Land is not depreciated. Other fixed assets are depreciated over their expected useful lives on a straight line basis, the principal rates used being:

	<u>Per annum</u>
Freehold buildings	2.5%
Plant and machinery	between 10% and 20%
Commercial vehicles	25%
Other vehicles	33.33%

d) Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads. The allocation of manufacturing fixed overheads has regard to normal budgeting procedures.

e) Research and development

All revenue expenditure on research and development is written off in the profit and loss account in the year in which it is incurred.

f) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences which are expected to crystallise in the foreseeable future.

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

g) Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

h) Pension scheme

The pension costs charged against the profit and loss account are based on an actuarial method and actuarial assumptions designed to spread the cost of pensions over the working lives of employees who are pension scheme members, in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of current and expected future pensionable earnings. Variations from regular cost are spread over the average remaining service lives of current employees in the pension scheme.

i) Goodwill

Goodwill is written off over four years from the date of acquisition. Where no benefit is expected to accrue, goodwill is written off in the year of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Turnover and operating profit

Turnover represents the invoiced value of goods and services supplied by the Company exclusive of VAT and is all derived from the Company's principal activity.

	1991		1990	
	£'000	£'000	£'000	£'000
Geographical markets				
United Kingdom		-		50,269
Exports to:				
Europe	-		4,526	
America	-		3,582	
Africa	-		1,713	
Asia	-		8,707	
Australasia	-		1,001	
		-		19,529
Turnover		-		69,798
Less:				
Change in stocks of finished goods and work in progress		-		448
Own work capitalised		-		-
Other operating income		-		(125)
Raw materials and consumables		-		35,001
Staff costs (including directors - note 3)				
Salaries and wages	-		15,728	
Social security costs	-		1,315	
Other pension costs	-		341	
		-		17,384
Depreciation and other amounts written off tangible and intangible fixed assets (including depreciation of fixed assets held under finance leases £nil (1990 - £661,000))		-		2,595
Auditors' remuneration		-		30
Hire of plant and machinery under operating leases		-		633
Leasehold property rent		-		11
Other operating charges		-		12,018
Operating costs		-		67,995
Operating profit		-		1,803

The amount charged to the profit and loss account in respect of research and development was £nil (1990 - £1,765,000).

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Directors' remuneration

The total emoluments of the directors (including pension contributions) were £nil (1990 - £258,536). These were all earned in connection with the management of the affairs of the Company. The Chairman did not receive any remuneration. The highest paid director received remuneration (excluding pension contributions) of £nil (1990 - £65,000). The number of directors who received remuneration within the stated limits was:

		1991	1990
£Nil	- £5,000	9	2
£45,001	- £50,000	-	2
£50,000	- £55,000	-	1
£55,001	- £60,000	-	1
£60,000	- £65,000	-	3
		<hr/>	<hr/>

4 Number of employees

The average number of persons employed during the year, including directors, was as follows:

	1991	1990
Production	-	571
Distribution	-	533
Administration	-	198
	<hr/>	<hr/>
	-	1,302
	<hr/>	<hr/>

5 Interest payable and similar charges

	1991 £'000	1990 £'000
Bank loans, overdrafts and acceptances repayable within five years	-	858
Holding company loans	-	2,867
Other loans	-	128
Finance lease charges	-	125
	<hr/>	<hr/>
	-	3,978
	<hr/>	<hr/>

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Taxation

The (credit)/charge based on the profit for the year on ordinary activities comprises:

	1991 £'000	1990 £'000
UK corporation tax @ 33.25% (1990 - 35%)	-	(1,246)
Adjustments relating to prior years	-	(307)
	<u>-</u>	<u>(1,553)</u>

7 Extraordinary items

	1991 £'000	1990 £'000
Profit on sale of Biocides business	-	300
Tax on extraordinary profit	-	(98)
	<u>-</u>	<u>202</u>

8 Dividends

	1991 £'000	1990 £'000
4% non cumulative preference	2	2
Ordinary	-	6,998
	<u>2</u>	<u>7,000</u>

Pounds per share	-	£10.76
	<u>-</u>	<u>£10.76</u>

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Fixed assets

	Land & buildings £'000	Plant & machinery £'000	Total £'000
Cost or valuation:			
At 1 January 1991	19,640	24,597	44,237
Additions	-	-	-
Provision for diminution	(3,177)	-	(3,177)
Transfers	(16,463)	(24,597)	(41,060)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1991	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Depreciation:			
At 1 January 1991	2,339	14,437	16,776
Charge for year	-	-	-
Disposals/transfers	(2,339)	(14,437)	(16,776)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1991	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net book value:			
At 31 December 1991	-	-	-
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1990	17,301	10,160	27,461
	<u> </u>	<u> </u>	<u> </u>

The net book amount of plant and equipment includes £nil (1990 - £1,093,846) in respect of leased assets. The gross amount of depreciable assets included within land and buildings is £nil (1990 - £11,441,000).

The net book value of land and buildings is made up as follows:

	1991 £'000	1990 £'000
Freehold	-	13,896
Long leasehold	-	3,405
	<u> </u>	<u> </u>
	-	17,301
	<u> </u>	<u> </u>

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Fixed assets (continued)

The freehold land and buildings then owned were revalued on an existing use basis by the directors at 31 December 1980. If this valuation had not been carried out, the total of land and buildings would have been carried in the balance sheet at:

	1991 £'000	1990 £'000
Cost	-	10,896
Accumulated depreciation	-	(1,443)
	<hr/>	<hr/>
	-	9,453
	<hr/>	<hr/>

10 Investments

	1991 £	1990 £
Shares in subsidiary companies at cost	300	300
Amounts owed to subsidiaries	(204)	(204)
	<hr/>	<hr/>
	96	96
	<hr/>	<hr/>

The Company owns the entire share capital of the following subsidiaries registered in England:

The British Drug Houses Limited
BDH Pension Trustees Limited
Hopkin & Williams Limited

Because no subsidiary has traded during the year and the Company is a wholly owned subsidiary of Merck Ltd (registered in England) group financial statements are not presented. A copy of the group financial statements for Merck Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. The parent undertaking of the largest group of undertakings for which group financial statements are prepared is Merck AG incorporated in Switzerland. These accounts are publicly available from Gotthardstrasse 20, 6304 Zug, Switzerland.

11 Stocks

	1991 £'000	1990 £'000
Raw materials	-	8,370
Work in progress	-	900
Finished goods	-	11,942
Sundry stocks	-	513
	<hr/>	<hr/>
	-	21,725
	<hr/>	<hr/>

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Debtors

	1991	1990
	£'000	£'000
Trade debtors	-	12,486
Amounts owed by Group undertakings	6,361	3,551
Other debtors	-	924
Prepayments and accrued income	-	739
Advance corporation tax recoverable	-	2,333
Corporation tax recoverable	-	138
	<u>6,361</u>	<u>20,171</u>

13 Creditors

	1991	1990
	£'000	£'000
Due within one year	-	19,071
Bank loans and overdrafts	-	6,014
Trade creditors	-	2,882
Amounts owed to Group undertakings	-	460
Taxation and social security	-	81
Other creditors	-	460
Obligations under finance leases	-	495
Accruals and deferred income	-	2,333
Advance corporation tax payable	-	-
	<u>-</u>	<u>31,796</u>
Taxation and social security comprises:		
Corporation tax	-	-
Other taxes and social security	-	460
	<u>-</u>	<u>460</u>
Due in more than one year (but within five years)	-	25,985
Holding company loans	-	721
Obligations under finance leases	-	-
	<u>-</u>	<u>26,706</u>

The comparative figure for bank loans and overdrafts has been restated because cash at bank had been incorrectly set off against overdrafts.

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Provisions for liabilities and charges

	Rationalisation	Pension commitments	Total
	£'000	£'000	£'000
At 1 January 1991	1,558	409	1,967
Transfer to holding company	(1,558)	(409)	(1,967)
At 31 December 1991	-	-	-

Potential tax liabilities which are not expected to crystallise in the foreseeable future, and potential tax assets which are not expected to be recoverable, exist in respect of:-

	1991	1990
	£'000	£'000
Accelerated capital allowances	-	1,854
Other short term timing differences	-	(834)
Valuation surplus on freehold land and buildings	-	1,400
Excess insurance proceeds on which roll-over relief has been claimed	-	68
	<u>-</u>	<u>2,488</u>

15 Called up share capital

	Number	1991	1990
		£'000	£'000
Authorised, allotted and fully paid:			
Ordinary shares of £1 each	650,000	650	650
4% non-cumulative preference shares of £1 each	50,000	50	50
		<u>700</u>	<u>700</u>

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Reserves

	Revaluation	Profit & loss account	Total
	£'000	£'000	£'000
At 1 January 1991	4,370	4,470	8,840
Dividend	-	(2)	(2)
Provision for temporary diminution	(3,177)	-	(3,177)
Transfer	(1,193)	1,193	-
	<hr/>	<hr/>	<hr/>
At 31 December 1991	-	5,661	5,661
	<hr/>	<hr/>	<hr/>

In view of the rationalisation plans the directors have considered the value of the largest manufacturing site of the chemical division and have decided to provide for the diminution in value. This diminution is considered temporary and therefore has been debited to the revaluation reserve prior to transfer of the site to Merck Ltd. This has no tax impact in this Company.

17 Pension benefits

Following the transfer of the business of BDH Limited to the holding company on 1 January 1991, the BDH 1973 Pension Scheme has been wound up. The assets and liabilities of the Scheme have been transferred to the newly formed Merck Pension Scheme.

The pension cost for the year ended 31 December 1990 was £341,000. This allows for a reduction of £1,529,000 in respect of the amortisation of a surplus which is being recognised over 11 years, the average remaining service lives of current members.

The pension cost charge was determined by qualified actuaries who are partners of Bacon & Woodrow, Consulting Actuaries. The charge is based on the results of formal actuarial valuations of the scheme, the most recent of which took place as at 1 April 1990. The projected unit method was used and the most significant actuarial assumptions were:

Rate of return on investments	9% per annum
Rate of increase in pay levels including promotional increases	7.5% per annum
Rate of pension increases	5% per annum

A provision of £409,000 is included in the balance sheet at 31 December 1990 which represents the excess of the accumulated pension cost over the amount paid by the Company into the scheme.

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Pension benefits (continued)

The most recent actuarial valuation as at 1 April 1990 showed that the actuarial value of the assets represented 142% of the value of the benefits which had accrued to members. As a result of this excess of assets over liabilities Company contributions were suspended from 1 April 1990. During 1990 Company contributions to the scheme amounted to £189,000.

The market value of the scheme's assets was £54.6 million at 1 April 1990.

18 Capital Commitments

No provision has been made in these financial statements for the following proposed capital expenditure:

	1991 £'000	1990 £'000
Contracted for	-	12,829
Authorised but not contracted for	-	1,256
	<u>-</u>	<u>14,085</u>

19 Financial commitments

Amounts due under non-cancellable operating leases are as follows:

	Land & Buildings		Plant & equipment	
	1991 £'000	1990 £'000	1991 £'000	1990 £'000
Expiring:				
within one year	-	11	-	222
within 2-5 years	-	-	-	132
	<u>-</u>	<u>11</u>	<u>-</u>	<u>354</u>

20 Contingent liabilities

The Company and certain group undertakings are jointly and severally liable under group registration for VAT.

BDH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Holding company

The ultimate holding company is Merck AG (incorporated in Switzerland).