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BDH Limited

BDH LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 1986

The Directors herewith submit their Report together with the audited Accounts for the year.

1. PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company changed its name from BDH Chemicals Limited in March 1986. The principal activity of the company is the supply of chemicals. Satisfactory progress has been achieved during the year and the company is well placed to meet market opportunities.

2 PROFITS AND DIVIDENDS

The profit for the year after tax amounted to £902,000. The Directors propose that a year's dividend be paid on the 50,000 4% preference shares and 30 pence per share be paid on the 650,000 ordinary shares and the amount of £705,000 be carried to reserves.

3 DIRECTORS

The Directors holding office during the year were as follows:-

H.J.Langmann
W. Hoenn
W.Kruger (appointed 1st January 1986)
D.R.Perry (appointed 1st January 1986)
B.Sturgeon
R.H.M.Symons
B.R.Tizzard
G.Williams

The Directors and their families had no beneficial interest in the shares of the company or of its holding or subsidiary companies at the end of the year.

BDH LIMITED

REPORT OF THE DIRECTORS (Continued)

4. RESEARCH AND DEVELOPMENT

The company has an active research and development programme.

5. DISABLED PERSONS

It is the company's policy to provide disabled persons, within the limitation of their abilities, with the same opportunities for employment, training, career development and promotion as are available to other employees.

6. POLITICAL AND CHARITABLE DONATIONS

No contributions to political organisations were made during the year. Charitable donations totalled £5,530.

7. EMPLOYMENT INVOLVEMENT

The company regularly briefs employees and trade union representatives and consults with them on matters affecting them via a joint consultative committee structure. Detailed information on the company's financial position is provided twice a year at meetings attended by employees and trade union representatives.

8. AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board




Secretary

13th February 1987

REPORT OF THE AUDITORS TO THE MEMBERS OF BDH LIMITED

We have audited the accounts set out on pages 4 to 13 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention as explained in note 1(a).

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1986 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.


Ernst & Whinney
Chartered Accountants
London.

13th February 1987

EDM LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1986

| | <u>Note</u> | <u>1986</u> <u>£'000s</u> | <u>1985</u> <u>£'000s</u> |
|---|-------------|------------------------------|------------------------------|
| TURNOVER | 2 | 42,545 ===== | 38,948 ===== |
| OPERATING PROFIT | 2 | 2,972 | 3,453 |
| INTEREST RECEIVABLE | | 389 | 155 |
| INTEREST PAYABLE | 5 | (1,635) ~~~~~ | (1,600) ~~~~~ |
| PROFIT ON ORDINARY ACTIVITIES | | 1,726 | 2,008 |
| TAXATION | 6 | 824 ~~~~~ | 866 ~~~~~ |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 902 | 1,142 |
| PROPOSED DIVIDEND | | | |
| Preference - 4p per share | | 2 | 2 |
| Ordinary - 30p per share | | 195 ~~~~~ | 176 ~~~~~ |
| PROFIT FOR THE FINANCIAL YEAR | | 705 ===== | 964 ===== |

Movements on retained profits are set out in Note 14.

BDH LIMITED

BALANCE SHEET AT 31ST DECEMBER 1986

| | <u>Note</u> | <u>1986</u> <u>£'000s</u> | <u>1985</u> <u>£'000s</u> |
|---|-------------|------------------------------|------------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 16,453 | 16,822 |
| Investments | 8 | ~~~~~ | ~~~~~ |
| CURRENT ASSETS | | | |
| Stocks | 9 | 12,243 | 11,661 |
| Debtors | 10 | 12,837 | 11,314 |
| Cash in hand and at bank | | 1,395 | 641 |
| | | ~~~~~ | ~~~~~ |
| | | 26,475 | 23,616 |
| CREDITORS: amounts falling due within one year | 11 | 19,487 | 17,341 |
| | | ~~~~~ | ~~~~~ |
| NET CURRENT ASSETS | | 6,988 | 6,275 |
| | | ~~~~~ | ~~~~~ |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 23,441 | 23,097 |
| CREDITORS: amounts falling due after more than one year | 11 | 6,268 | 6,407 |
| | | ~~~~~ | ~~~~~ |
| TOTAL ASSETS LESS LIABILITIES | | 17,173 | 16,690 |
| | | ===== | ===== |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 700 | 700 |
| Revaluation reserve | 14 | 4,733 | 4,823 |
| Profit and loss account | 14 | 11,740 | 11,167 |
| | | ~~~~~ | ~~~~~ |
| | | 17,173 | 16,690 |
| | | ===== | ===== |

13th February 1987

BDH LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1986

| | <u>1986</u> <u>£'000s</u> | <u>1985</u> <u>£'000s</u> |
|--|------------------------------|------------------------------|
| <u>SOURCE OF FUNDS</u> | | |
| Profit before taxation | 1,726 | 2,008 |
| Items not involving movement of funds | | |
| Depreciation of tangible fixed assets | 1,651 | 1,341 |
| Profit on sale of fixed assets | (16) | (32) |
| | ~~~~~ | ~~~~~ |
| <u>Generated from operations</u> | 3,361 | 3,317 |
| <u>Funds from other sources</u> | | |
| Tangible fixed asset disposals | 108 | 63 |
| Increase in loans from group companies | 4,861 | 667 |
| Corporation tax refund | 1 | 19 |
| | ~~~~~ | ~~~~~ |
| <u>Total source of funds</u> | 8,331 | 4,066 |
| <u>Application of funds</u> | | |
| Tangible fixed assets purchased and inter company transfers | 1,374 | 2,464 |
| Dividends paid | 178 | 125 |
| Taxation paid | 413 | 66 |
| Goodwill acquired | 222 | - |
| | ~~~~~ | ~~~~~ |
| | 2,187 | 2,655 |
| | ~~~~~ | ~~~~~ |
| <u>INCREASE/(DECREASE) IN WORKING CAPITAL</u> | 6,144 | 1,411 |
| | ===== | ===== |
| Arising from movements in:- | | |
| Stocks | 582 | 737 |
| Debtors | 1,115 | 1,877 |
| Creditors | (1,426) | (236) |
| Inter company balances | 352 | (17) |
| | ~~~~~ | ~~~~~ |
| | 623 | 2,361 |
| Liquid funds | 5,521 | (950) |
| | ~~~~~ | ~~~~~ |
| | 6,144 | 1,411 |
| | ===== | ===== |

BDH LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Accounting Convention

As in previous years the accounts have been prepared under the historical cost convention except revalued freehold properties as stated in Note 7.

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. The cost of other fixed assets held at the beginning of the year is written off 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 40% |
| 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 budgeted normal production.

e) Research and development

All revenue expenditure on research and development is written off against profits in the year in which it is incurred.

BDH LIMITED

NOTES TO THE ACCOUNTS (continued)

f) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences which are not expected to continue in the future.

g) Leased Assets

Rentals in respect of assets held under finance or operating leases are charged to the profit and loss account as incurred.

2. TURNOVER AND OPERATING PROFIT

Turnover represents the invoiced value of goods and services supplied by the company exclusive of V.A.T.

| | <u>1986</u> £'000 | <u>1985</u> £'000 |
|---|----------------------|----------------------|
| Geographical market | | |
| United Kingdom | 27,939 | 26,624 |
| Exports to other countries | 14,606 ~~~~~ | 12,324 ~~~~~ |
| Turnover | 42,545 ~~~~~ | 38,948 ~~~~~ |
| Less: Changes in stock of finished goods and work in progress | (474) | (737) |
| Own work capitalised | (34) | (14) |
| Other operating income | (947) | (899) |
| Raw materials and consumables | 18,740 | 17,346 |
| Staff costs (including Directors - note 3) | | |
| Salaries and Wages | 10,944 | 9,834 |
| Social security costs | 757 | 696 |
| Other pension costs | 1,107 ~~~~~ | 1,038 ~~~~~ |
| Depreciation | 1,651 | 1,341 |
| Auditors' remuneration | 27 | 26 |
| Hire of plant and machinery | 201 | 92 |
| Other operating charges | 7,601 ~~~~~ | 6,772 ~~~~~ |
| | 39,573 ~~~~~ | 35,495 ~~~~~ |
| Operating profit | 2,972 ===== | 3,453 ===== |

BDH LIMITED

NOTES TO THE ACCOUNTS (Continued)

| 3. EMOLUMENTS OF DIRECTORS | <u>1986</u> | <u>1985</u> |
|---|-------------------|-------------------|
| Remuneration including Pension contributions | £192,101 ===== | £131,782 ===== |

The emoluments, excluding pension contributions, of the Directors are detailed as follows:-

| | | |
|---------------------------|---------|---------|
| Chairman | nil | nil |
| Highest paid Director | £34,762 | £32,512 |
| Other Directors in scale: | | |
| Not more than £5,000 | 1 | 1 |
| £20,001 to £25,000 | 2 | - |
| £25,001 to £30,000 | 1 | 2 |
| £30,001 to £35,000 | 2 | 1 |

| 4. NUMBER OF EMPLOYEES | <u>1986</u> | <u>1985</u> |
|---|--------------|--------------|
| The average number of persons employed by the company during the year, including directors, was as follows: | | |
| Production | 627 | 617 |
| Selling | 498 | 477 |
| Administration | 188 | 194 |
| | <u>1,313</u> | <u>1,288</u> |
| | ===== | ===== |

| 5. INTEREST PAYABLE | <u>1986</u> | <u>1985</u> |
|--|--------------|--------------|
| | £'000 | £'000 |
| on Loans repayable within 5 years | | |
| Bank loans, overdrafts and acceptances | 640 | 747 |
| Holding Company loans | 495 | 353 |
| Other Loans | 500 | 500 |
| | <u>1,635</u> | <u>1,600</u> |
| | ===== | ===== |

| 6. TAXATION | <u>1986</u> | <u>1985</u> |
|---|-------------|-------------|
| | £'000 | £'000 |
| The charge based on the profit for the year on ordinary activities comprises: | | |
| UK Corporation tax @ 36.25% | 950 | 925 |
| Adjustments relating to prior years | (126) | (59) |
| | <u>824</u> | <u>866</u> |
| | ===== | ===== |

BDH LIMITED

NOTES TO THE ACCOUNTS (Continued)

| 8. INVESTMENTS | <u>1986</u> <u>£</u> | <u>1985</u> <u>£</u> |
|-------------------------------|-------------------------|-------------------------|
| Ordinary shares at cost | 300 | 300 |
| Amounts owing to subsidiaries | (204) | (204) |
| | ~~~~~ | ~~~~~ |
| | 96 | 96 |
| | ===== | ===== |

The company owns the entire share capital of the following subsidiaries incorporated in Great Britain:

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 Holding Limited (incorporated in Great Britain) group accounts are not presented.

| 9. STOCKS | <u>1986</u> <u>£'000</u> | <u>1985</u> <u>£'000</u> |
|------------------|-----------------------------|-----------------------------|
| Raw Materials | 5,090 | 4,987 |
| Work in progress | 892 | 400 |
| Finished goods | 6,070 | 6,088 |
| Sundry stocks | 191 | 186 |
| | ~~~~~ | ~~~~~ |
| | 12,243 | 11,661 |
| | ===== | ===== |

| 10. DEBTORS | <u>1986</u> <u>£'000</u> | <u>1985</u> <u>£'000</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Due within one year | | |
| Trade debtors | 9,748 | 9,070 |
| Amounts owed by group companies | 2,066 | 1,658 |
| Other debtors | 134 | 33 |
| Prepayments and accrued income | 889 | 553 |
| | ~~~~~ | ~~~~~ |
| | 12,837 | 11,314 |
| | ===== | ===== |

BDH LIMITED

NOTES TO THE ACCOUNTS (Continued)

| 11. CREDITORS | <u>1986</u> <u>£'000</u> | <u>1985</u> <u>£'000</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Due within one year | | |
| Bank loans and overdrafts | 3,257 | 8,024 |
| Other loans | 5,000 | - |
| Trade creditors | 3,252 | 2,378 |
| Amounts owed to group companies | 3,362 | 3,307 |
| Taxation and social security | 1,641 | 1,204 |
| Other creditors | 944 | 311 |
| Accruals and deferred income | 1,834 | 1,939 |
| Dividends payable (proposed) | 197 | 178 |
| | ~~~~~ | ~~~~~ |
| | 19,487 | 17,341 |
| | ~~~~~ | ~~~~~ |
| Due in more than one year | | |
| Loans - repayable in 1987 | - | 5,000 |
| Holding and inter-group loans | 6,268 | 1,407 |
| | ~~~~~ | ~~~~~ |
| | 6,268 | 6,407 |
| | ~~~~~ | ~~~~~ |
| Total creditors | 25,755 | 23,748 |
| | ===== | ===== |

12. DEFERRED TAXATION

No provision for deferred taxation at 31st December 1985 is required. Potential tax liabilities which are not expected to crystallise in the future, exist in respect of:-

| | <u>1986</u> <u>£'000</u> | <u>1985</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Accelerated capital allowances | 1,927 | 2,076 |
| Other short term timing differences | (474) | (391) |
| Valuation of freehold land and buildings | 1,400 | 1,400 |
| | ~~~~~ | ~~~~~ |
| | 2,853 | 3,085 |
| | ===== | ===== |

13. CALLED UP SHARE CAPITAL

| | Authorised Allotted and fully paid | |
|--|--|----------------------------|
| | <u>1986</u> <u>'000</u> | <u>1985</u> <u>'000</u> |
| 4% non-cumulative preference shares of £1 each | 50 | 50 |
| Ordinary shares of £1 each | 650 | 650 |
| | ~~~~~ | ~~~~~ |
| | 700 | 700 |
| | ===== | ===== |

BPH LIMITED

NOTES TO THE ACCOUNTS (Continued)

| 14. RESERVES | Revaluation Reserve £'000 | Profit & Loss A/c £'000 | Total £'000 |
|---|---------------------------------|-------------------------------|----------------|
| At 31st December 1985 | 4,823 | 11,167 | 15,990 |
| Retained profit for year | - | 705 | 705 |
| Depreciation on re- valuation of buildings | (90) | 90 | - |
| Goodwill on acquisitions written off | - | (222) | (222) |
| | ~~~~~ | ~~~~~ | ~~~~~ |
| At 31st December 1985 | 4,733 | 11,740 | 16,473 |
| | ===== | ===== | ===== |

15. PENSION BENEFITS

Pension benefits are funded over the employees' period of service. Contributions by the Company are based on the most recent actuarial valuation of the Fund.

16. CAPITAL COMMITMENTS

No provision has been made in these accounts for the following proposed capital expenditure by the company:-

| | 1986 £'000 | 1985 £'000 |
|-----------------------------------|---------------|---------------|
| Contracted for | 1,150 | 805 |
| Authorised but not contracted for | 731 | 989 |
| | ~~~~~ | ~~~~~ |
| | 1,881 | 1,794 |
| | ===== | ===== |

17. FINANCIAL COMMITMENTS

Amounts due under Finance leases are as follows:-

| | 1986 £'000 | 1985 £'000 |
|--------------------------|---------------|---------------|
| within one year | 325 | 57 |
| within two to five years | 804 | 79 |
| | ~~~~~ | ~~~~~ |
| | 1,129 | 136 |
| | ===== | ===== |

18. CONTINGENT LIABILITIES

The Company is jointly and severally liable together with certain of its fellow subsidiaries under group registration for V.A.T.

19. HOLDING COMPANY

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