

BDH CHEMICALS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31st DECEMBER, 1980

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

1. RESULTS FOR THE YEAR

The Accounts show a profit of £1,272,243 before taxation and extraordinary items, and a profit attributable to members of £865,333. The Directors propose that a year's dividend be paid on the 50,000 4% preference shares and 15p per share be paid on the 650,000 ordinary shares.

2. PRINCIPAL ACTIVITY

The principal activity of the Company is the manufacture and sale of chemicals.

3. FIXED ASSETS

The movements in fixed assets are shown in Note 9 of the Notes to the Accounts. For Current Cost Accounting purposes a valuation has been carried out which has indicated a value of £10,320,000 for the freehold land and buildings. The Directors have incorporated this valuation in the accounts.

4. EXPORTS

The value of the goods exported by the Company was £8,808,307.

5. DIRECTORS

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

H. J. Langmann
A. C. Hutchison (Resigned 28th February, 1981)
H. H. Clarke (Resigned 30th January, 1981)
K-D. Dohmann
B. Sturgeon
R. H. M. Symons
G. Williams
B. R. Tizzard (Appointed 31st January, 1981)

The Directors and their families had no interest in the shares of the Company or of its holding or subsidiary companies at the end of the year. No Director had during the year or at the end of the year any material interest in any contract or arrangement entered into by the Company during the year.



6. POLITICAL AND CHARITABLE DONATIONS

No contributions to political organisations were made during the year. Charitable donations totalled £1,311.

7. AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and in accordance with Section 14 of the Companies Act 1976 a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By Order of the Board



Secretary

1st March, 1981

BDH CHEMICALS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of BDH Chemicals Limited set out on pages 4 - 12. These have been prepared under the historical cost convention including a revaluation of freehold land and buildings as explained in Note 1 (a). Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs at 31st December, 1980 and of the profit, changes in retained profits and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1980.


Chartered Accountants

1st March, 1981.

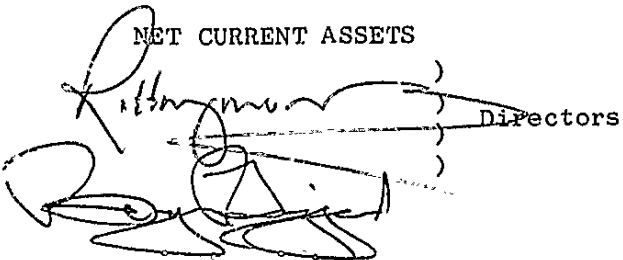
BDH CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER, 1980

	<u>Note</u>	<u>1980</u>	<u>1979</u>
TURNOVER		£20,883,460	£18,051,124
PROFIT FOR THE YEAR	2	3,733,898	2,626,001
FINANCE CHARGES	3	1,461,655	1,316,112
PROFIT BEFORE TAXATION		1,272,243	1,309,889
TAXATION	4	406,910	391,066
PROFIT BEFORE EXTRAORDINARY ITEMS		865,333	918,823
EXTRAORDINARY ITEMS		-	-
PROFIT ATTRIBUTABLE TO MEMBERS		865,333	918,823
PROPOSED DIVIDENDS:-			
Preference - 4p per share		(2,000)	(2,000)
Ordinary - 15p per share		(97,500)	(97,500)
PROFIT RETAINED		£ 765,833	£ 819,323
ACCUMULATED SURPLUS			
For Year		765,833	819,323
At beginning of Year		2,612,162	1,792,839
Surplus arising from revaluation of freehold land and buildings	9	5,277,379	-
At end of Year		£8,655,374	£2,612,162
RETAINED IN			
Company		8,477,450	2,496,190
Associated Company		177,924	115,972
		£8,655,374	£2,612,162

BDH CHEMICALS LIMITED
BALANCE SHEET AT 31st DECEMBER, 1980

	<u>Note</u>	<u>1980</u>	<u>1979</u>
<u>CAPITAL EMPLOYED</u>			
SHARE CAPITAL AND RESERVES			
Share Capital	6	700,000	700,000
Accumulated Surplus		8,655,374	2,612,162
		<u>9,355,374</u>	<u>3,312,162</u>
BORROWED MONIES			
Holding Company		545,826	199,281
Long Term Loan	7	5,000,000	5,000,000
		<u>5,545,826</u>	<u>5,199,281</u>
DEFERRED TAXATION	8	1,020,000	1,020,000
		<u>£15,921,200</u>	<u>£9,531,443</u>
<u>EMPLOYMENT OF CAPITAL</u>			
FIXED ASSETS	9	13,023,725	7,795,497
SUBSIDIARY COMPANIES	11	96	96
INVESTMENT IN ASSOCIATED COMPANY	13	189,174	127,222
CURRENT ASSETS			
Stocks	10	6,402,411	5,918,220
Debtors		4,077,716	4,601,410
Fellow Subsidiaries	12	939,208	139,373
Cash		1,100	1,100
		<u>11,420,435</u>	<u>10,660,103</u>
CURRENT LIABILITIES			
Taxation		63,944	828,340
Amount overdrawn from group bank account		351,313	-
Bank overdrafts, short term loans and acceptance credits		4,981,971	5,101,551
Creditors		3,215,502	3,022,084
Dividends proposed		99,500	99,500
		<u>8,712,230</u>	<u>9,051,475</u>
NET CURRENT ASSETS		2,708,205	1,608,628
			
	Directors	<u>£15,921,200</u>	<u>£9,531,443</u>

BDH CHEMICALS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31st DECEMBER, 1980

	<u>1980</u> <u>£'000</u>	<u>1979</u> <u>£'000</u>
<u>SOURCE OF FUNDS</u>		
Profit before taxation and extraordinary items	1,272	1,310
Extraordinary items	-	-
Adjustments for items not involving the movement of funds:-		
Depreciation	603	561
Profit retained in associated company	(57)	(38)
<u>TOTAL GENERATED FROM OPERATIONS</u>	<u>1,818</u>	<u>1,833</u>
<u>FUNDS FROM OTHER SOURCES</u>		
Fixed asset disposals	90	12
Increase in Loans from holding company	347	-
	<u>2,255</u>	<u>1,845</u>
<u>APPLICATION OF FUNDS</u>		
Taxation paid	720	-
Fixed assets purchased	644	824
Bank loans repaid	-	1,700
Decrease in loans from holding company	-	1,055
Dividends paid	100	100
Deferred taxation	-	14
Group relief	440	239
Group relief prior year	17	-
	<u>1,921</u>	<u>3,932</u>
<u>INCREASE/(DECREASE) IN WORKING CAPITAL</u>	<u>334</u>	<u>(2,087)</u>
Increase in stocks	484	940
(Decrease) in debtors	(524)	(101)
Increase in amounts due from fellow and subsidiary companies	961	317
(Increase) in creditors and amounts due to fellow subsidiaries	(355)	(240)
Movement in net liquid funds:-		
(Increase) in bank overdrafts, short term loans and acceptance credits	(232)	(3,003)
	<u>334</u>	<u>(2,087)</u>

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting Convention

Except as stated in Note 9, as in previous years the accounts have been prepared under the historical cost convention.

(b) Turnover

Turnover represents the invoice value of goods and services supplied by the Company.

(c) Associated Company

The Company's share of profits, less losses, of the associated company is included in the Profit and Loss Account, and its share of reserves since acquisition is included in the Balance Sheet. The current year's profit is based on unaudited accounts for the accounting year ended 31st December, 1980. Details of the associated company are given in Note 13.

(d) Translation of overseas currencies into sterling

Foreign currency balances are translated into sterling at the exchange rates ruling at 31st December, 1980. The total of translation differences is taken to Profit and Loss Account.

(e) Depreciation

Land is not depreciated. Other fixed assets held at the beginning of the year are written off over their expected useful lives on a straight line basis, the principal rates used being:-

	<u>Per Annum</u>
Freehold Buildings	2½%
Plant and Machinery, between	5% and 20%
Commercial Vehicles	25%
Other Vehicles	33⅓%

(f) Stocks

Stocks are valued at the lower of cost (including production overheads) and net realisable value. Provision is made for obsolete and slow-moving items.

(g) Research and Development

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

(h) Deferred Taxation

Provision is made for corporation tax at the current rate on the excess of the book values of fixed assets qualifying for tax allowances over their written down values for tax purposes, and for other timing differences arising during the year. No provision is made for stock relief arising from increases in the value of stocks carried as it is not considered that the company could be involved in any tax liability. No provision is made for taxation which would arise in the event of disposal of freehold properties at valuation stated as there is no intention to realise these assets in the foreseeable future.

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

2. TRADING PROFIT

The trading profit has been arrived at after charging the following:-

	<u>1980</u>	<u>1979</u>
Depreciation of fixed assets	£602,515	£561,404
Hire of plant and machinery	£115,856	£111,515
Auditors' remuneration	£ 27,765	£ 17,600
Directors' remuneration for executive services, including pension contributions (Note 5)	£ 97,624	£ 79,996
and after crediting		
Interest receivable	£ 2,105	£ 21,508
Share of profits of associated company	£ 56,528	£ 37,756

3. FINANCE CHARGES

	<u>1980</u>	<u>1979</u>
Bank loans, overdrafts and acceptance charges	826,665	790,167
Other loans repayable within 5 years	133,620	25,945
Loans not repayable within 5 years	501,370	500,000
	<u>£1,461,655</u>	<u>£1,316,112</u>

4. TAXATION

	<u>1980</u>	<u>1979</u>
Taxation comprises:-		
United Kingdom Corporation Tax @ 52%	440,000	239,000
Deferred Taxation	-	132,433
Over provision in previous years	(27,666)	-
	<u>421,334</u>	<u>371,433</u>
Associated Company		
Current year	19,135	19,633
Under provision in previous year	392	-
Prior years adjustment	(24,951)	-
	<u>£406,910</u>	<u>£391,066</u>

The Corporation tax charge on the profit of the year is affected by (a) depreciation of freehold buildings £66,000 not allowable as a deduction for tax purposes and (b) stock relief £585,000.

The tax is not payable because of losses surrendered by a fellow subsidiary.

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

5. EMOLUMENTS OF DIRECTORS

The emoluments, excluding pension contributions, of the Directors were in the following scales:-

	<u>1980</u>	<u>1979</u>
Up to £5,000	2	2
£5,001 to £10,000	-	1
£10,001 to £15,000	1	1
£15,001 to £20,000	4	3

The Chairman received no emoluments from the Company. The emoluments of the highest paid Director were £19,899 (1979 - £17,693).

6. SHARE CAPITAL

	<u>Authorised</u>	<u>Issued and Fully Paid</u>
4% non-cumulative Preference Shares of £1 each	50,000	50,000
Ordinary Shares of £1 each	650,000	650,000
	<u>£700,000</u>	<u>£700,000</u>

7. BORROWED MONIES

Long term loans are repayable in 1987 and carry interest at the rate of 10% per annum.

8. DEFERRED TAXATION

	<u>1980</u>	<u>1979</u>
Arising from excess of book values of fixed assets over their written down values for tax purposes	1,556,000	1,487,000
Other short term timing differences	(536,000)	(467,000)
	<u>£1,020,000</u>	<u>£1,020,000</u>

Had deferred tax been provided on stock relief the additional amount required would be £1,592,000 (1979 - £1,288,411).

The potential taxation which would arise in the event of disposal of freehold land and buildings amounting to £1,400,000 has not been provided in these accounts as there is no intention to realise these assets.

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

£.	<u>FIXED ASSETS</u>	<u>Freehold Properties</u>	<u>Short Leaseholds</u>	<u>Plant and Equipment</u>	<u>Total</u>
	<u>Cost or Valuation</u>				
	At 31st December, 1979	5,583,870	58,055	5,024,599	10,666,524
	Additions during year	75,938	-	568,225	644,163
	Disposals	(15,000)	-	(144,455)	(159,455)
	Transfers (Net)	-	-	(28,402)	(28,402)
	Depreciation written back on revaluation	(527,572)	-	-	(527,572)
	Revaluation adjustment	5,277,379	-	-	5,277,379
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31st December, 1980	10,394,615	58,055	5,419,967	15,872,637
		<hr/>	<hr/>	<hr/>	<hr/>
	Cost	74,615	58,055	5,419,967	5,552,637
	Valuation 1980	10,320,000	-	-	10,320,000
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		10,394,615	58,055	5,419,967	15,872,637
		<hr/>	<hr/>	<hr/>	<hr/>
	<u>Accumulated Depreciation</u>				
	At 31st December, 1979	434,610	39,202	2,397,215	2,871,027
	Provided in year	92,962	673	508,880	602,515
	On disposals during year	-	-	(95,007)	(95,007)
	On transfers	-	-	(2,051)	(2,051)
	Written back on revaluation	(527,572)	-	-	(527,572)
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31st December, 1980	-	39,875	2,809,037	2,848,912
		<hr/>	<hr/>	<hr/>	<hr/>
	<u>Net Book Values</u>				
	At 31st December, 1979	£5,149,260	£18,853	£2,627,384	£7,795,497
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	At 31st December, 1980	£10,394,615	£18,180	£2,610,930	£13,023,725
		<hr/>	<hr/>	<hr/>	<hr/>

For the purpose of current cost accounting the Directors adopted, with the aid of professional advice, depreciated replacement cost values for the freehold properties reflecting their value to the business. They have decided to incorporate such values in these accounts.

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

	<u>1980</u>	<u>1979</u>
Contracted for	182,065	81,093
Authorised but not contracted for	83,624	73,576
	<hr/>	<hr/>
	£265,689	£154,669
	<hr/>	<hr/>

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

10. STOCKS

	<u>1980</u>	<u>1979</u>
Finished goods	2,730,757	2,228,796
Work in progress	462,295	402,402
Raw materials	3,039,360	3,127,028
Sundry	169,999	159,994
	<u>£6,402,411</u>	<u>£5,918,220</u>

11. SUBSIDIARY COMPANIES

	<u>1980</u>	<u>1979</u>
Shares at cost	200	200
Amounts owing by subsidiaries	-	-
Amounts owing to subsidiaries	(104)	(104)
	<u>£ 96</u>	<u>£ 96</u>

The undermentioned subsidiaries have been wholly-owned throughout the year:-

	<u>Country of Incorporation</u>
The British Drug Houses Limited (non-trading)	England
BDH Pension Trustees Limited (non-trading)	England

Group Accounts have not been prepared because the company is a wholly-owned subsidiary of Emitra Limited, a company incorporated in England. In the opinion of the directors the value of the investments in subsidiaries is not less than the amount at which they are included in the Balance Sheet.

12. FELLOW SUBSIDIARIES

	<u>1980</u>	<u>1979</u>
Amounts owing by fellow subsidiaries	1,570,456	608,812
Amounts owing to fellow subsidiaries	(631,248)	(469,439)
	<u>£ 939,208</u>	<u>£139,373</u>

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

13. ASSOCIATED COMPANY

Equity Holding

- (a) Investment is in the undermentioned company:-

Macfarlane Robson Limited

33%

	<u>1980</u>	<u>1979</u>
(b) The value of the investment shown in the Balance Sheet consists of:		
Shares (unlisted at cost)	11,250	11,250
Share of reserves since acquisition	177,924	115,972
	<u>£189,174</u>	<u>£127,222</u>

Dividends received from the associated company during the year amounted to £1,575 (1979 - £1,508)

In the opinion of the Directors the value of the Company's investment is not materially different from that shown in the Balance Sheet.

14. CONTINGENT LIABILITIES

The Company is party to a joint and several guarantee in respect of a Group bank overdraft which at 31st December, 1980 amounted to £268,821.

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

15. HOLDING COMPANY

The Company's ultimate holding company is Merck AG (incorporated in Switzerland)