

660457 / 101

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31st DECEMBER, 1978

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 £2,179,461 before taxation and extraordinary items, and a profit attributable to members of £1,134,589. The Directors propose that a year's dividend be paid on the 50,000 4% preference shares and that a dividend of 15p is 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 10 of the Notes to the Accounts. In the opinion of the Directors the existing use value of the Company's properties does not differ materially from that at which they are shown in the Balance Sheet. Therefore they consider it would be of no benefit to the shareholders to incur the costs of a professional valuation of the Company's freehold properties.

4. EXPORTS

The value of the goods exported by the Company was £7,132,282.

5. DIRECTORS

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

H. J. Langmann  
A. C. Hutchison  
H. H. Clarke  
K-D. Dohmann  
B. Sturgeon  
R. H. M. Symons  
G. Williams

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 £1,470.

7. AUDITORS

Turquands Barton Mayhew & Co. have merged their practice with Whinney Murray & Co. and from 1st July, 1979 will practise under the name of Ernst & Whinney. Until that date the firm continues to practise in its present name and therefore in accordance with Section 14 of the Companies Act 1976 a resolution proposing the reappointment of Turquands Barton Mayhew & Co. as auditors of the company will be put to the members at the Annual General Meeting.

By Order of the Board



19th February, 1979

Secretary

BDH CHEMICALS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts set out on pages 4 - 12. These 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 at 31st December, 1978 and of the profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 and 1967.

  
Chartered Accountants

19th February, 1979

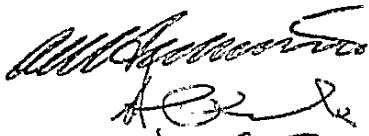
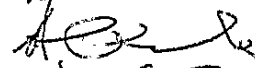
BDH CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER, 1978

	<u>Note</u>	<u>1978</u>	<u>1977</u>
TURNOVER		<u>£17,183,657</u>	<u>£14,531,451</u>
PROFIT FOR THE YEAR	2	3,374,718	3,330,013
FINANCE CHARGES	3	<u>1,195,257</u>	<u>1,205,592</u>
PROFIT BEFORE TAXATION		2,179,461	2,124,421
TAXATION	4	<u>1,149,902</u>	<u>697,627</u>
PROFIT BEFORE EXTRAORDINARY ITEMS		1,029,559	1,426,794
EXTRAORDINARY ITEMS	5	<u>105,030</u>	<u>(90,940)</u>
PROFIT ATTRIBUTABLE TO MEMBERS		1,134,589	1,335,854
PROPOSED DIVIDENDS:			
Preference - 4p per share		( 2,000)	( 2,000)
Ordinary - 15p per share		<u>(97,500)</u>	<u>(65,000)</u>
PROFIT RETAINED		<u>£1,035,089</u>	<u>£1,268,854</u>
ACCUMULATED SURPLUS			
Surplus (1977 deficit) at beginning of year		757,750	(511,104)
For year		<u>1,035,089</u>	<u>1,268,854</u>
Surplus at end of year		<u>£1,792,839</u>	<u>£ 757,750</u>
COMPANY		1,694,990	677,721
ASSOCIATED COMPANY		<u>97,849</u>	<u>80,029</u>
		<u>£1,792,839</u>	<u>£ 757,750</u>

BDH CHEMICALS LIMITED  
BALANCE SHEET AT 31st DECEMBER, 1978

	<u>Note</u>	<u>1978</u>	<u>1977</u>
<u>CAPITAL EMPLOYED</u>			
SHARE CAPITAL AND RESERVES			
Share Capital	7	700,000	700,000
Accumulated Surplus		1,792,839	757,750
		<hr/> 2,492,839	<hr/> 1,457,750
BORROWED MONIES			
Holding Company		1,254,664	1,440,608
Bank Loan		1,700,000	1,700,000
Long Term Loans	8	5,000,000	5,000,000
		<hr/> 7,954,664	<hr/> 8,140,608
DEFERRED TAXATION	9	901,716	765,278
		<hr/> £11,349,219	<hr/> £10,363,636
<u>EMPLOYMENT OF CAPITAL</u>			
FIXED ASSETS	10	7,545,267	7,304,833
SUBSIDIARY COMPANIES	12	96	422,752
INVESTMENT IN ASSOCIATED COMPANY	14	109,099	91,280
CURRENT ASSETS			
Stocks	11	4,978,283	4,346,584
Debtors		4,702,084	3,822,923
Fellow Subsidiaries	13	239,655	-
Cash		1,050	1,114
		<hr/> 9,921,072	<hr/> 8,170,621
CURRENT LIABILITIES			
Taxation		828,936	159,292
Bank overdrafts, short term loans and acceptance credits		2,098,177	2,441,153
Creditors		3,199,702	2,958,405
Dividends proposed		99,500	67,000
		<hr/> 6,226,315	<hr/> 5,625,850
NET CURRENT ASSETS		<hr/> 3,694,757	<hr/> 2,544,771
 		<hr/> <hr/>	<hr/> <hr/>
Directors		£11,349,219	£10,363,636

BDH CHEMICALS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31st DECEMBER, 1978

<u>SOURCE OF FUNDS</u>	<u>1978</u> <u>£'000</u>	<u>1977</u> <u>£'000</u>
Profit before taxation and extraordinary items	2,179	2,124
Extraordinary items	105	(91)
Adjustments for items not involving the movement of funds:-		
Depreciation	474	363
Profit retained in associated company	(37)	(37)
<u>TOTAL GENERATED FROM OPERATIONS</u>	<u>2,721</u>	<u>2,359</u>
<u>FUNDS FROM OTHER SOURCES</u>		
Fixed asset disposals	4	12
Sale of shares in subsidiary companies	203	417
Increase in long term loans	-	5,000
	<u>2,928</u>	<u>7,788</u>
<u>APPLICATION OF FUNDS</u>		
Taxation paid	324	-
Fixed assets purchased	719	1,864
Bank loans repaid	-	4,793
Decrease in loans from holding company and former fellow subsidiaries	186	511
Dividends paid	67	-
	<u>1,296</u>	<u>7,168</u>
<u>INCREASE IN WORKING CAPITAL</u>	<u>1,632</u>	<u>620</u>
Increase in stocks	631	994
Increase in debtors and amounts due from former fellow subsidiaries	1,119	1,537
(Decrease) in amounts due from subsidiary companies	(220)	(137)
(Increase) in creditors and amounts due to former fellow subsidiaries	(241)	(993)
Movement in net liquid funds:-		
(Decrease) in cash at bank and in hand	-	( 1)
Decrease/(increase) in bank overdrafts, short term loans and acceptance credits	343	(780)
	<u>1,632</u>	<u>620</u>

NOTES TO THE ACCOUNTS1. ACCOUNTING POLICIES(a) Accounting Convention

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, 1978. Details of the associated company are given in Note 14.

(d) Translation of overseas currencies into sterling

Loans designated in foreign currencies are translated into sterling at the exchange rates ruling at 31st December, 1978. The total of translation differences (Note 5) is taken to Profit and Loss Account as an extraordinary item.

(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	33½%

No provision is made for increased replacement cost of fixed assets.

(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.

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

2. TRADING PROFIT

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

	<u>1978</u>	<u>1977</u>
Depreciation of fixed assets	£474,030	£363,217
Hire of Plant and Machinery	£ 89,644	£ 80,851
Auditors' remuneration	£ 16,823	£ 14,877
Special payment to Pension Scheme	£100,000	£150,000
Directors' remuneration for executive services, including pension contributions (Note 6)	£ 65,813	£ 56,170

and after crediting

Interest receivable	£ 5,356	£ 3,289
Dividends and grants from subsidiaries	£ -	£122,647
Share of profits of associated company	£ 37,125	£ 37,010
Interest Relief Grant	£100,000	£100,000

3. FINANCE CHARGES

	<u>1978</u>	<u>1977</u>
Bank loans, overdrafts and acceptance charges	450,163	651,082
Other loans repayable within 5 years	245,094	224,373
Loans not repayable within 5 years	500,000	330,137
	<u>£1,195,257</u>	<u>£1,205,592</u>

4. TAXATION

Taxation comprises:-

United Kingdom Corporation Tax @ 52%	1,000,000	308,000
Deferred Taxation	136,438	370,481
Over provision in previous years	(5,841)	-
	<u>1,130,597</u>	<u>678,481</u>
Associated company	19,305	19,146
	<u>£1,149,902</u>	<u>£ 697,627</u>

The Corporation tax charge on the profit of the year is affected by (a) depreciation of freehold buildings £73,000 not allowable as a deduction for tax purposes and (b) stock relief of £197,857.



BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

5. EXTRAORDINARY ITEMS

	<u>1978</u>	<u>1977</u>
Realised (loss)/profit on repayment of foreign currency loans	(1,392)	6,809
Adjustment on translation of foreign currency loans	16,212	50,981
Surplus arising from disposal of shares in overseas subsidiary companies	-	7,099
Provision for expenses incurred in connection with the re-arrangement of borrowings no longer required	90,210	(155,829)
	<u>£105,030</u>	<u>£(90,940)</u>

6. EMOLUMENTS OF DIRECTORS

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

	<u>1978</u>	<u>1977</u>
Up to £2,500	2	2
£7,501 to £10,000	-	3
£10,001 to £12,500	4	1
£12,501 to £15,000	-	1
£15,001 to £17,500	1	-

The Chairman received no emoluments from the Company. The emoluments of the highest paid Director were £15,286 (1977 - £12,583).

7. 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>

8. BORROWED MONIES

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

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

9. DEFERRED TAXATION.

	<u>1978</u>	<u>1977</u>
Arising from excess of book values of fixed assets over their written down values for tax purposes and from other timing differences.	£901,716	£765,278

Had the deferred tax been provided on stock relief the additional amount required would be £1,173,642 (1977 £1,070,756).

10. FIXED ASSETS

	<u>Freehold Properties</u>	<u>Short Leaseholds</u>	<u>Plant and Equipment</u>	<u>Total</u>
<u>Cost</u>				
At 31st December, 1977	5,637,701	58,055	3,589,338	9,285,094
Additions during year	51,000	-	667,908	718,908
Disposals during year	-	-	(54,620)	(54,620)
At 31st December, 1978	£5,688,701	£ 58,055	£4,202,626	£9,949,382
<u>Accumulated Depreciation</u>				
At 31st December, 1977	228,819	25,476	1,725,966	1,980,261
Provided in year	102,423	7,926	363,681	474,030
On disposals during year	-	-	(50,176)	(50,176)
At 31st December, 1978	£ 331,242	£ 33,402	£2,039,471	£2,404,115
<u>Net book values</u>				
At 31st December, 1977	£5,408,882	£ 32,579	£1,863,372	£7,304,833
At 31st December, 1978	£5,357,459	£ 24,653	£2,163,155	£7,545,267

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

	<u>1978</u>	<u>1977</u>
Contracted for	258,232	212,446
Authorised but not contracted	118,339	299,027
	£376,571	£511,473

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

11. STOCKS

	<u>1978</u>	<u>1977</u>
Finished goods	2,559,985	1,816,272
Work in progress	437,720	313,800
Raw materials	1,864,767	2,112,717
Sundry	115,811	103,794
	<hr/>	<hr/>
	£4,978,283	£4,346,584
	<hr/>	<hr/>

12. SUBSIDIARY COMPANIES

	<u>1978</u>	<u>1977</u>
Shares at cost	200	202,875
Amounts owing by subsidiaries	-	220,281
Amounts owing to subsidiaries	(104)	(104)
	<hr/>	<hr/>
	£ 96	£ 422,752
	<hr/>	<hr/>

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

Country of Incorporation

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 E. Merck Limited, a company incorporated in Great Britain. 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.

As part of a scheme of reorganisation in the U.K. the following former subsidiary companies were transferred during 1978 to the holding company cum results for the year.

Ferris & Company Limited  
M.W. Scientific Limited  
BDH Pharmaceuticals Limited (formerly BDH Chemicals Sales Limited)

NOTES TO THE ACCOUNTS (CONTINUED)

13. FELLOW SUBSIDIARIES

	<u>1978</u>	<u>1977</u>
Amounts owing by fellow subsidiaries	291,824	-
Amounts owing to fellow subsidiaries	( 52,169)	-
	<u>£239,655</u>	<u>£ -</u>

14. ASSOCIATED COMPANY

Equity Holding

(a) Investment is in the undermentioned company:-

Macfarlane Robson Limited 33%

	<u>1978</u>	<u>1977</u>
(b) The value of the investment shown in the Balance Sheet consists of:-		
Shares (unlisted at cost)	11,250	11,251
Share of reserves since acquisition	97,849	80,029
	<u>£109,099</u>	<u>£ 91,280</u>

Dividends received from the associated company during the year amounted to £1,503 (1977 - £1,466).

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

15. CONTINGENT LIABILITIES

The company has given guarantees to bankers as follows:-

- (a) Unlimited guarantees in respect of U.K. fellow subsidiaries of which £nil was outstanding at 31st December, 1978. (1977 - £71,622).
- (b) £29,516 in respect of a former overseas subsidiary of which £26,236 was outstanding at 31st December, 1978. (1977 - £127,662).

16. HOLDING COMPANY

The Company's ultimate holding company is Chemitra GmbH. (incorporated in West Germany).